

## I. Rejection of claims under §102

The Examiner rejected various subsets of the pending claims as being anticipated by either Kumagai (U.S. Pat. No. 5,916,455) or Shang (U.S. Pat. No. 5,788,778). Applicants address each basis for rejection separately below.

### A. Rejection of claims under Kumagai

The Examiner rejected claims 41-44 and 50-56 as being anticipated by Kumagai. In attempting to do so, the Examiner reasoned that Kumagai discloses components that are “structurally equivalent” to *some* of the claim limitations. (Office Action dated 5/28/02 at p. 2-3.) Applicants contend that the Examiner has failed to address *all* of the claim limitations, thereby failing to meet the *prima facie* burden for rejection. Moreover, an analysis of Kumagai’s disclosure demonstrates that it discloses only the opposite of at least some of the claim limitations, thereby indicating that the *prima facie* burden for rejection cannot be met relying on Kumagai. Further, the Examiner’s use of the phrase “structurally equivalent” in a novelty rejection of these claims demonstrates the legal impropriety of these attempted rejections.

Concerning the limitations not addressed by the Examiner and Kumagai’s failure to disclose them, claim 41 requires a second chamber that is configured to initially generate a second plasma therein and further configured to lose an ability to generate that second plasma. Moreover, the second chamber is configured to receive another plasma that is configured to restore the ability of the second chamber to generate the second plasma. Kumagai discloses no such chamber configuration. The only Kumagai chambers identified by the Examiner are the plasma ignition device (element 30) and vacuum chamber (element 11). (Office Action dated 5/28/02 at p. 2-3.) However, Kumagai configures neither of those chambers to lose the ability to generate plasma. Kumagai in fact discloses only the exact opposite – with both chambers configured to always be ready to generate plasma. Kumagai’s summary, for instance, discloses an embodiment wherein the ignition chamber produces a seed plasma that allows the vacuum

chamber to generate a low pressure plasma. (Kumagai at col. 2, ln. 20-28 and ln. 40-43.)

Kumagai addresses this further in the detailed description of the invention.

Thus, the plasma from the interior of the ignition cylinder (31) becomes a seed, and a plasma is therefore readily generated in the vacuum chamber.

(*Id.* at col. 5, ln. 5-7.) Later in the detailed description, Kumagai further suggests the readiness of both chambers to generate plasma.

The high density plasma generated in the ignition device is introduced into the vacuum chamber as seed plasma. Therefore, a stable plasma can be generated and maintained even though the pressure inside the vacuum chamber is relatively low.

(*Id.* at col. 6, ln. 15-19; *see also* Abstract.)

If Kumagai's plasma ignition device were configured to lose the ability to generate plasma, the whole purpose of Kumagai's invention would be defeated. Kumagai goes even further in addressing its vacuum chamber, warning that it is configured to generate too strong a plasma that risks etching the chamber walls. (*Id.* at col. 1, ln. 41-48.) In disclosing only the exact opposite of a limitation in claim 41, Kumagai cannot be read as anticipating that claim or its dependent claims 42-44.

Moreover, dependent claim 42 contains an additional limitation concerning the second chamber's configuration in terms of the loss of the ability to generate a second plasma. Specifically, claim 42 requires that the second chamber be configured to lose the ability to generate the second plasma in response to a generation of that plasma. Claim 42 also requires that the second chamber be configured to regain the ability in response to a reception of another plasma. As Kumagai fails to disclose any of its chambers being configured to generally lose the ability to generate plasma, Kumagai necessarily fails to disclose the narrower configuration concerning the loss of the ability to generate plasma as well as the configuration concerning regaining that ability. Dependent claims 43-44 benefit from such distinctions as well.

Claim 50 requires a device that is configured to inductively generate a plasma, wherein the plasma comprises an induction blocker, and wherein the device is configured to accept the induction blocker in an area that blocks plasma induction. The Examiner has failed to indicate where either of Kumagai's chambers are disclosed as being configured to accept an induction

blocker in an area that blocks plasma induction. Moreover, the fact that both of Kumagai's chambers appear ready at all times to induce plasma suggests that Kumagai's chambers cannot be interpreted to disclose such configurations. (See Kumagai at col. 1, ln. 41-48; col. 2, ln. 20-28; col. 2, ln. 40-43; col. 5, ln. 5-7; col. 6, ln. 15-19 (addressed above).) Dependent claims 51-53 benefit accordingly.

Moreover, dependent claim 52 further qualifies the configuration requirements of claim 50's device, requiring that the device comprise a quartz component that is configured to accept the induction blocker thereon. As Kumagai fails to disclose claim 50's broad configuration concerning an induction blocker, Kumagai necessarily fails to disclose the narrower induction blocker configuration specified in claim 52 and its dependent claim 53.

Claim 54 concerns a cleaning apparatus for an inductively-coupled plasma chamber, comprising a cleaning chamber that is configured to provide a metal-cleaning gas to the plasma chamber. Applicants assert that neither of Kumagai's chambers cited by the Examiner disclose all of claim 54's requirements for the cleaning chamber. Kumagai's plasma ignition device is not configured to provide a metal-cleaning gas. Rather, Kumagai's plasma ignition device is configured to provide an inert plasma-generating gas. (Kumagai at col. 2, ln. 17-19; col. 4, ln. 1-col. 5, ln. 7.) Any attempt to analogize Kumagai's plasma-generating gas to a cleaning gas, let alone a metal-cleaning gas, is questionable given that Kumagai also teaches providing a discrete etching gas from elsewhere. (*Id.* at col. 3, ln. 29-31; col. 5, ln. 8-15.) As for Kumagai's vacuum chamber, it is not configured to provide a metal cleaning gas to another plasma chamber. Hence, it, too, fails to address all of claim 54's limitations. These limitations are incorporated into dependent claims 55 and 56, each of which contain additional limitations concerning the cleaning chamber, thereby further emphasizing their novelty.

Applicants note that these arguments were raised in the recently-filed Appeal Brief (pages 3-5) and appear to have been sufficient to refute the previous Kumagai rejection. Applicants contend that such arguments are equally sufficient to refute the current Kumagai rejection.

The Examiner's current Kumagai rejection raises other issues as well. In attempting to support the rejection, the Examiner argued that certain Kumagai components are "structurally equivalent" to parts of the rejected claims. (Office Action dated 5/28/02 at p. 2-3.) Binding case precedent holds, however, that anticipation may not be shown by equivalents. (*Richardson v.*

*Suzuki Motor Co.*, 868 F.2d 1226, 9 U.S.P.Q.2d 1913, 1920 (Fed. Cir. 1989), *cert. denied*, 493 U.S. 853 (1989).) In *Richardson*, the jury had been instructed that anticipation could be established by a reference's disclosure of every claim element or its equivalent. (*Id.*) The Court indicated that such an instruction was erroneous, reasoning that equivalents are pertinent to obviousness under §103, not anticipation under §102. (*Id.* at 1920-1921). The facts in this case are analogous: in a manner echoing *Richardson*'s jury instructions, the Examiner is attempting to argue that anticipation is established by Kumagai's disclosure of an structure equivalent to some of those in the claim limitations. Thus, for the same reasoning as that presented in *Richardson*, the Examiner's argument is erroneous. As a result, the Examiner's failure to meet the *prima facie* burden for a novelty rejection is further demonstrated.

Moreover, issues involving a "structurally equivalent" issue appear to be directed to claim limitations addressing a "means-plus-function." (*In re Bond*, 910 F.2d 831, 15 U.S.P.Q.2d 1566, 1568 (Fed. Cir. 1990). Copies of the cases cited in this Response are included in an appendix to this Response.) In addressing whether Bond's claimed delay means were disclosed by the prior art, the Court noted that the prior art's structures were not identical to the structures that were disclosed in Bond's specification and supported the "delay means" claim limitations. (*Id.* at 1567-1568.) Nonetheless, the Court noted that Bond's "delay means" was a "means-plus-function" limitation that covered not only the structures expressed in the disclosure but also equivalents thereof. (*Id.*) Hence, the Court indicated that further inquiry was warranted concerning whether the prior art did indeed disclose an equivalent to the structures in Bond's disclosure. (*Id.*) Rather, than make that decision itself, the Federal Circuit remanded to the Patent and Trademark Office, reasoning that structural equivalency is relevant to §112 ¶6 (concerning means-plus-function limitations) and is therefore a question of fact. (*Bond*, 15 U.S.P.Q.2d at 1568-69.) In contrast, the claims at issue do not contain "means-plus-function" limitations, hence the Examiner's discussion of "structural equivalents" has no bearing on their novelty and still further demonstrates the Examiner's failure to meet the *prima facie* burden for a novelty rejection.

## B. Rejection of claims under Shang

The Examiner rejected claims 57-59 as being anticipated by Shang. As with the previous novelty rejections, Applicants contend that the Examiner has failed to address *all* of the claim limitations, thereby failing to meet the *prima facie* burden for rejection. Moreover, an analysis of Shang's disclosure demonstrates that it discloses only the opposite of at least some of the claim limitations, thereby indicating that the *prima facie* burden for rejection cannot be met relying on Shang.

Independent claim 57, for instance, requires a reactor that is configured to refrain from locally generating a plasma during the reactor's cleaning mode. Assuming that the Examiner intended to analogize Shang's deposition chamber (10) to claim 57's reactor, Applicants note that, when addressing the deposition chamber's role during that chamber's cleaning, Shang expressly encourages a configuration that generates a local plasma. (Shang at col. 3, ln. 1-9; col. 6, ln. 43-44.) Thus, having disclosed only the opposite of the relevant limitation in claim 57, Shang cannot be interpreted as disclosing that limitation even if the Examiner had attempted to address it. As a result, the Examiner has not and cannot meet the *prima facie* burden for rejecting claim 57 by relying on Shang. Dependent claims 58 and 59 benefit accordingly.

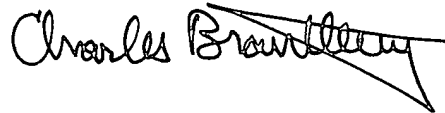
## II. Rejection of claims under §103

The Examiner rejected claims 45-49 and 60-69 as obvious in light of Shang in combination with Lantsman (U.S. Pat. No. 5,573,597). Curiously, although the Examiner mentions the matters disclosed by Lantsman, the Examiner then attempts to combine Shang's teachings with a reference identified only as "Tobin," with no reference to a patent number. (Office Action dated 5/28/02 at p. 4.) Applicants can find no previous reference to Tobin in the prosecution history. Given the Examiner's failure to (1) apply Lantsman's teachings; (2) articulate a motive for combining Shang with Lantsman; (3) adequately cite Tobin; and (4) address Tobin's teachings, Applicants contend that any one or combination of these failures results in a failure to meet the *prima facie* burden for this obviousness rejection.

### Conclusion

In light of the above remarks, Applicants submit that the claims are allowable over the applied references. Therefore, Applicants respectfully request reconsideration of the Examiner's rejections and further requests allowance of all of the pending claims. If there are any matters which may be resolved or clarified through a telephone interview, the Examiner is requested to contact Applicants' undersigned attorney at the number indicated.

Respectfully submitted,

A handwritten signature in black ink that reads "Charles Brantley". The signature is stylized with a large, sweeping flourish at the end.

Dated 8/28/2

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Appendix

***Richardson v. Suzuki Motor Co.***, 868 F.2d 1226, 9 U.S.P.Q.2d 1913 (Fed. Cir. 1989), *cert. denied*, 493 U.S. 853 (1989); and  
***In re Bond***, 910 F.2d 831, 15 U.S.P.Q.2d 1566 (Fed. Cir. 1990).

Corp. 6 USPQ2d 1732 (TTAB as cited therein. We think the marks involved herein is a factor and serves, in this case, to "les" in favor of a finding of no confusion.

The refusal of registration is and the mark will be published for in due course.

very well reach a contrary determination relative strength or weakness of the

## Court of Appeals, Federal Circuit

Richardson v. Suzuki Motor Co. Ltd.

Nos. 87-1497, -1498; -1502, 88-1083, -1084

Decided February 16, 1989

### PATENTS

1. Patentability/Validity — In general (§115.01)

### JUDICIAL PRACTICE AND PROCEDURE

#### Procedure — Jury trials (§410.42)

Jury may decide questions of anticipation and obviousness, either as separate special verdicts or en route to verdict on validity, which is also proper question for determination by jury, since there is no reason to distinguish submission of legal questions to jury in patent cases from such jury submissions routinely made in other types of cases.

### PATENTS

2. Patentability/Validity — Anticipation — Prior art (§115.0703)

Jury's "advisory" verdict that patentee's rising rate motorcycle suspension was not anticipated, and federal district court's independent holding of validity, are affirmed since reasonable jury could have concluded that claim in issue was not anticipated, in view of totality of evidence including prior art consisting of two prior motorcycle suspension patents and two designs for race car suspensions, and since analysis of district court's decision, based on same prior art, shows no clear error.

3. Patentability/Validity — Obviousness — Evidence of (§115.0906)

### JUDICIAL PRACTICE AND PROCEDURE

#### Procedure — Jury trials (§410.42)

Federal district court's conclusion, after jury entered verdict of non-obviousness, that obviousness of plaintiff's invention had not been proven and that claim in issue is not invalid, is affirmed despite court's erroneous belief that obviousness issue could only be presented to jury for "advisory" verdict, since review of record shows that there was substantial evidence on which reasonable jurors could conclude that claim had not been proved obvious, and therefore no reversible error occurred.

### PATENTS

4. Infringement — Doctrine of equivalents — In general (§120.0701)

### JUDICIAL PRACTICE AND PROCEDURE

#### Procedure — Jury trials (§410.42)

Federal district court's judgment of infringement, entered on jury verdict of infringement, is affirmed despite jury's special verdicts that defendant's motorcycle rear suspension linkages are not "equivalent" to patented system, since jury was given incorrect definition of "equivalents" and special verdict interrogatories were prejudicial in that they focused on differences between patented and accused devices without mention of similarities, and since, given correct instructions, reasonable jury could not have found that accused systems, which contain every element of relevant claims but one, are not equivalent to claimed invention.

### REMEDIES

5. Monetary — Damages — Patents — Reasonable royalty (§510.0507.03)

Jury's award of 50 cents for each infringing motorcycle sold by defendant as damages for infringement of plaintiff's motorcycle suspension system is vacated, since federal district court improperly instructed jury that infringement was "relatively minor," and since, absent such prejudicial instruction, there was no reasonable basis on which jury could have found that royalty awarded was reasonable.

### PATENTS

6. Title — Construction of license agreement (§150.07)

### TRADEMARKS AND UNFAIR TRADE PRACTICES

#### Trade secrets — In general (§400.01)

Federal district court incorrectly instructed jury that only "valid trade secrets" were subject to restraints in contract between plaintiff and defendant since, in view of defendant's agreement not to use or disclose "technical information, know-how, inventions, use data, and design specifications" that it received from plaintiff, jury instructions limited scope of protected information beyond that set forth in contract.



**7. Trade secrets — Elements of trade secret (§400.03)**

**Trade secrets — Disclosure and misappropriation (§400.07)**

Federal district court erred by instructing jury that information defendant could have developed on its own was not subject to trade secret protection, that "slavish" copying is necessary for trade secret misappropriation, and that jury could decide whether plaintiff could have both valid patent and legal protection for later-developed information on patented invention, since information capable of independent development or discovery from other sources is not excluded from trade secret protection, misappropriator cannot escape liability by showing modification of, or improvement upon, protected information, and legal status of information and improvements made after patent application has been filed is independent of presence or absence of patent application or ensuing patent.

**8. Trade secrets — Elements of trade secret (§400.03)**

**JUDICIAL PRACTICE AND PROCEDURE**

**Procedure — Jury trials (§410.42)**

Federal district court abused its discretion in granting defendant's motion for new trial on issue of whether certain information constituted trade secrets, since court may not vacate jury verdict unless verdict is contrary to clear weight of evidence, is based upon false evidence, or would cause miscarriage of justice, and since there was substantial evidence before jury that information in question was not publicly known, that defendant agreed to receive and preserve it in confidence, and that information fully satisfies statutory and jurisprudential requirements for protectible trade secrets.

**REMEDIES**

**9. Monetary — Damages — In general (§510.0501)**

Jury's assessment of \$104,000 in damages for defendant's use of certain information obtained from plaintiff is affirmed, since there was substantial evidence presented at trial that would enable jury to determine sum awarded.

**10. N n-monetary and injunctive — Equitable relief — In general (§505.0701)**

**N n-monetary and injunctive — Equitable relief — Permanent injunctions (§505.0709)**

Federal district court erred in denying plaintiff's motion for injunction after entering final judgment in plaintiff's favor on issue of patent infringement, since irreparable harm is presumed when clear showing of patent validity and infringement is made and therefore injunction should issue if no sound reason exists for denying it, and patentee should not be denied its right to exclude others from using invention once infringement is established.

**PATENTS**

**11. Patent misuse — Improper procurement and enforcement (§140.03)**

**TRADEMARKS AND UNFAIR TRADE PRACTICES**

**Trade secrets — Disclosure and misappropriation (§400.07)**

**REMEDIES**

**Monetary — Damages — Unfair trade practices (§510.0508)**

Federal district court improperly vacated jury verdicts and ordered new trial on fraud issues after jury found for plaintiff on those issues and entered award of punitive damages, since, although court may have believed that defendant did not commit fraud, record shows that there was evidence on which reasonable jury could support verdicts, and since jury's award of punitive damages, which may be assessed if fraud has been expressly found, was not so disproportionate to damages sustained as to be result of passion or prejudice.

**PATENTS**

**12. Patentability/Validity — Inventorship (§115.13)**

**Title — Assignments (§150.03)**

**REMEDIES**

**Non-monetary and injunctive — Equitable relief — In general (§505.0701)**

Federal district court erred in denying motion for assignment of defendant's patent to plaintiff after jury returned special verdict finding that invention asserted in patent was

ary and injunctive — Equitable — In general (§505.0701)

y and injunctive — Equitable Permanent injunctions

dict court erred in denying on for injunction after entry in plaintiff's favor on infringement, since irreparable harm was shown when clear showing of injury and infringement is made. Injunction should issue if no basis for denying it, and patent was denied its right to exclude invention once infringed.

use — Impr per procurement element (§140.03)

S AND UNFAIR TRADE

— Disclosure and misappropriation (§400.07)

Damages — Unfair trade (§510.0508)

dict court improperly vacated and ordered new trial on fraud found for plaintiff on those damages awarded of punitive damages. Although court may have been wrong to commit fraud, that there was evidence on which jury could support verdict of punitive damages may be assessed if fraud has been found, was not so disproportionate as to be result of prejudice.

ty/Validity — Inventorship

gments (§150.03)

y and injunctive — Equitable In general (§505.0701)

dict court erred in denying judgment of defendant's patent. Jury returned special verdict on invention asserted in patent was

first disclosed to defendant by plaintiff, since separate special verdict in which jury found that plaintiff was not "real" inventor of invention asserted in disputed patent, and on which court based its denial of motion, reflects jury's understanding of co-inventor status of third party and contributions of others in development of alternate embodiment of invention and therefore does not diminish force of verdict naming plaintiff as person who first disclosed invention to defendant, since neither question of whether plaintiff is sole or joint inventor, which is not before court, nor presence in claims of further modification beyond that disclosed by plaintiff to defendant, negates imposition of equitable remedy of assignment of patent, and since, based on jury verdict, plaintiff is entitled to ownership of patent as against defendant.

13. Monetary — Damages — Prejudgment interest (§510.0511)

Federal district court erred in denying plaintiff's request for prejudgment interest on damage awards for patent infringement and misappropriation of trade secrets, since allowance of such interest is required if, as in instant case, there is no showing of exceptional circumstances or reason why damages for trade secret misappropriation should be treated differently from those for patent infringement.

## JUDICIAL PRACTICE AND PROCEDURE

14. Procedure — Jury trials (§410.42)

### REMEDIES

Monetary — Damages — Patents — Increased damages (§510.0507.07)

Federal district court erred in refusing to submit question of willful patent infringement to jury, since evidence adduced at trial concerning fraud, misappropriation of trade secrets, absence of any opinion by U.S. counsel concerning validity of plaintiff's patent at commencement of defendant's infringing activity, and defendant's bad faith, when viewed in light most favorable to plaintiff, does not permit finding of no willful infringement as only reasonable conclusion.

15. Monetary — Attorney's fees; costs — Patents (§510.0905)

Monetary — Attorney's fees; costs — Unfair trade practices (§510.0907)

Federal district court's award of only one-third of costs to plaintiff who prevailed on major substantive issues in suit exceeded

court's authority, since plaintiff is entitled to statutory costs incurred before trial court.

Particular patents — General and mechanical — Vehicle suspension systems

3,907,332, Richardson, suspension system for two-wheeled vehicles, valid and infringed.

4,457,393, Tamaki and Suzuki, suspension device for motorcycles, assignment to Donald G. Richardson ordered.

Appeal from the U.S. District Court for the Central District of California, Gray, J.

Action by Donald G. Richardson against Suzuki Motor Co. Ltd., U.S. Suzuki Motor Corp., Kawasaki Heavy Industries Ltd., Kawasaki Motors Corp., Yamaha Motor Co. Ltd., Yamaha Motor Corp. U.S.A., Kayaba Industry Co. Ltd. and Kayaba Industry Co., for patent infringement, breach of contract, fraud and misappropriation of trade secrets. From judgment holding plaintiff's patent not invalid and infringed, awarding damages for infringement and use of plaintiff's information by defendant, and from grant of defendant's motion for new trial on issues of trade secrets, fraud, and damages awarded for fraud, Richardson and Suzuki defendants cross-appeal. Affirmed in part, reversed in part, vacated in part, and remanded.

Theresa A. Middlebrook, of Wagner & Middlebrook and Robert D. Driscoll, of Driscoll & Tomich (John E. Wagner, with them on brief), Glendale, Calif., for plaintiff/appellant.

John A. Fogarty, of Kenyon & Kenyon, New York, N.Y. (Richard S. Gresalfi and Dawn M. DiStefano, New York, N.Y., and Richard S. Rockwell, Tustin, Calif., with him on brief; Duffern H. Helsing and Halina F. Osinski, Santa Ana, Calif., of counsel), for defendants/cross-appellants.

Before Skelton, senior circuit judge, and Smith and Newman, circuit judges.

Newman, J.

This appeal and cross-appeal are from the judgment of the United States District Court for the Central District of California, and involve issues of patent validity, infringement, breach of contract, fraud, misappropriation of trade secrets, and several related

issues.<sup>1</sup> We affirm in part, reverse in part, vacate in part, and remand.

### The Invention

The invention that led to this litigation is a motorcycle rear-wheel suspension system that smooths the ride over rough terrain, of interest particularly in off-road motorcycle riding. The roughness of the ride is due to bumps and dips in the terrain, transmitted from the wheels to the frame. An optimum rear-wheel suspension will maintain tire contact with the ground despite deflection by irregularities, will avoid "bottoming out" (an unsafe rising of the suspension), yet will achieve a smooth ride without reduction in safety. In 1974 even the best available suspensions did not maintain adequate tire contact with the ground in conjunction with attempts to eliminate bottoming out.

In mid-1974 Donald G. Richardson, a young mechanic in California, devised a solution to the problem, a modified suspension system that he installed in his own motocross motorcycle. Richardson replaced the conventional two-spring shock absorber suspension system with a system consisting of a single shock absorber plus a linkage consisting of a bell crank and connecting rod. This linkage generated a "rising rate"<sup>2</sup> — a characteristic critical to the issue — and produced a far superior ride, even as it eliminated the dangerous bottoming out. Richardson testified about his first ride, at a hilly construction site near his house, as "utopia. I mean it was incredible"; over hard bumps it was "uncanny because it was so smooth"; "[t]he rear end didn't kick up. It just didn't bottom out and stayed down"; an "unbelievable feeling".

On November 25, 1974 Richardson filed a United States patent application on his invention, and on September 23, 1975 the application issued as United States Patent No. 3,907,322 (hereinafter the '332 or Richardson patent). Patent claim 9, which incorporates claim 1, is the only claim in suit. Claims 1 and 9 follow:

1. A suspension for two wheeled vehicles comprising:

a frame for the vehicle comprising a generally closed shape including upper and lower portions

and a swing arm pivotally connected to the lower portion of said frame;

said swing arm comprising a pair of arms rotatably supporting a wheel about a horizontal axis generally at the end of said swing arm;

the pivotal mounting of said arm to said frame being about a generally horizontal axis whereby said wheel is both rotatable about its own horizontal axis and deflectable in a generally vertical direction about the axis of said swing arm;

spring means having a first end pivotally secured to said frame;

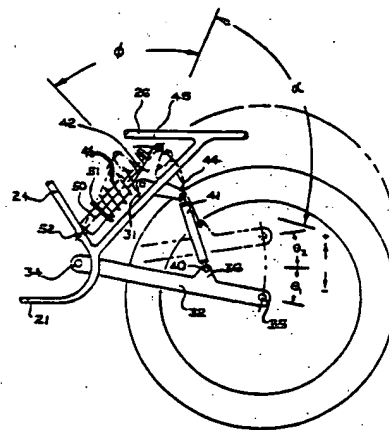
a link member including an intermediate point pivotally mounted on said frame about an axis, parallel to the axis of said swing arm at a point spaced therefrom;

pivotal connection means between said link member and the second end of said spring;

a bar pivotally connected at one end to said swing arm and at the opposite end to said link member at a position spaced from said spring connection;

said spring, bar, swing arm and link connected whereby deflection of said swing arm displaces said bar and rotates said link member to compress said spring. 9. The combination in accordance with claim 1 wherein said assembly provides a rising spring rate as a function of deflection of said swing arm.

Figure 2 of the '332 patent specification is illustrative:



<sup>1</sup> Richardson v. Suzuki Motors Co. and Suzuki U.S. Motors Corp., Nos. CV 80-2589-WPG and CV 82-3826-WPG (C.D. Cal. June 29, 1987 and July 13, 1987).

<sup>2</sup> "Rising rate" was described by witnesses as follows: "as the suspension travels upward, the resistance to upward travel will increase"; and it "gets stiffer as the wheel moves up toward the vehicle or moves upward in the frame."

or the vehicle comprising a used shape including upper rations

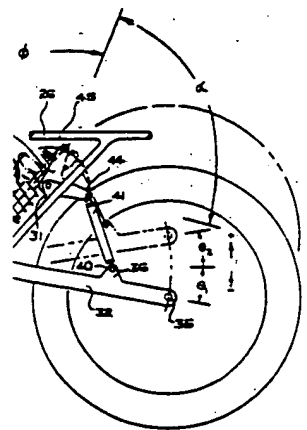
g arm pivotally connected to tion of said frame;  
arm comprising a pair of ly supporting a wheel about a is generally at the end of said

l mounting of said arm to said about a generally horizontal y said wheel is both rotatable n horizontal axis and deflecta- erally vertical direction about aid swing arm;

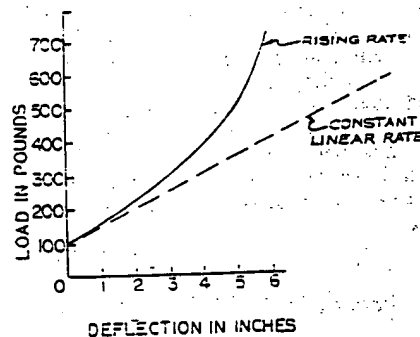
ans having a first end pivotally said frame;  
mber including an intermedi- otally mounted on said frame is, parallel to the axis of said at a point spaced therefrom; onnection means between said r and the second end of said

otally connected at one end to arm and at the opposite end to mber at a position spaced from connection;  
ng, bar, swing arm and link whereby deflection of said displaces said bar and rotates mber to compress said spring. n bination in accordance with erein said assembly provides a g rate as a function of deflec- l swing arm.

he '332 patent specification is



As the rear wheel is deflected upward by bumps in the terrain, the swing arm (32) that is pivotally connected at (34) to the motorcycle frame (21) rotates upward, pushing the compression rod (41) into the bell crank (42) that is pivotally secured (31) at its intermediate point to the motorcycle frame. The bell crank rotates on its pivot (31) and compresses, downward against the frame, a spring (46) that is pivotally connected at one end (45) to the bell crank, and at its other end (52) to the motorcycle frame. The interaction of these interconnected parts increases the force on the spring, increasing the rate of resistance to deflection of the wheel with increased movement of the wheel. This varying resistance is the "rising spring rate" of claim 9, and is illustrated in Figure 5 of the '332 patent:



### The Contact with Suzuki

In October 1978 Richardson entered into a one year Option and License Agreement with the Suzuki Motor Co., Ltd. of Japan ("Suzuki").

The Agreement gave Suzuki the exclusive right to test and evaluate Richardson's suspension, and the exclusive option to acquire an exclusive license to the '332 patent and Richardson's "proprietary technical information, know-how, inventions, and use data", collectively defined in the Agreement as the "Licensed Rights."

The Agreement required Richardson to disclose to Suzuki all technical information, know-how, inventions, use data and design specifications for his suspension, that he possessed or that he acquired during the option period. Suzuki agreed to preserve all such information in confidence, and not to use any of it "for any purpose other than to evaluate for commercial feasibility of manufacture and marketing during the Option Period." Suzuki agreed that this obligation of confidence continued if Suzuki did not exercise the option. Excepted from the confidentiality obligation was all information previously known to Suzuki or at any time generally known to the public.

The agreement required Richardson to make prototypes of his suspension system for Suzuki's evaluation. Richardson installed his suspension in Suzuki's sample 1978 and 1979 model production motorcycles, and disclosed to Suzuki the technical information and know-how that he possessed, including improvements and other information that he developed during this period. He met frequently with Suzuki engineers and other Suzuki personnel in the United States and in Japan to communicate this information and generally to improve performance and to facilitate testing and evaluation.

There was testimony at trial of initial incredulity on the part of Suzuki engineers concerning Richardson's suspension, of Suzuki's past failures in designing a suspension with the desired characteristics, and of Suzuki's favorable response to the performance of Richardson's suspension. The evidence included internal Suzuki documents made while Suzuki was testing Richardson's suspension, stating that it would "take a long time", perhaps three years, for Suzuki to develop a satisfactory suspension.

In early 1979 Richardson and a colleague Cazort conceived an improvement in the linkage-generated rising rate suspension, which they called the "Alternate Shock Mount" and which they disclosed to Suzuki, accompanied by drawings and blueprints made by Cazort. The difference from the structure described in the '332 patent is that in the Alternate Shock Mount the lower end of the spring is pivotally secured to the swing arm which is pivotally secured to the frame, instead of being pivotally secured directly to the frame, resulting in increased strength.

In May 1979 Richardson's first prototype for Suzuki, wherein Richardson, aided by Cazort, installed his suspension in a Suzuki 1978 production model, was successfully tested in Japan. Testimony at trial included statements attributed to Suzuki's test riders that they could see the bumps but not feel

them, and other commentary evidencing a highly favorable reaction to Richardson's suspension.

It was a stipulated fact that after these tests Suzuki made the decision to place the linkage-generated rising rate suspension system into production, and started development work for this purpose.

On October 16, 1979 Suzuki filed a patent application in Japan. The corresponding United States patent, filed on October 8, 1980, claims the Alternate Shock Mount suspension as disclosed by Richardson, and also claims a modification made by Suzuki called the "criss-cross". Suzuki named two of its engineers, Hirohide Tamaki and Manabu Suzuki, as the inventors.

Suzuki twice requested and was granted one-month extensions of its Option and License Agreement with Richardson. In December 1979 Suzuki informed Richardson that it would not exercise the option.

In March 1980 Suzuki began competitive racing in the United States of Suzuki motorcycles using the Alternate Shock Mount suspension, which Suzuki named the "Full Floater". Suzuki met with marked racing success, the Full Floater receiving favorable publicity and high acclaim from the public. Extensive advertising was directed to the Full Floater rising rate suspension. The product achieved widespread commercial success.

Suzuki denied any obligation to Richardson.

#### *Litigation*

Richardson brought suit against Suzuki (Japan) and the U.S. Suzuki Motor Corporation in California state court, and was granted a preliminary injunction restraining the Suzuki companies from breach of the Option and License Agreement and requiring them to comply with the confidentiality terms thereof. At Suzuki's request the state court declined to enforce the injunction after U.S. Suzuki sued Richardson in federal court, seeking a declaratory judgment of invalidity and non-infringement of Richardson's '332 patent.

In 1982 Richardson filed a patent infringement action against the Suzuki companies and others. (Only the Suzuki companies remain as parties.) Richardson reasserted the state claims of breach of contract, breach of implied covenant of good faith and fair dealing, misappropriation of trade secrets, and fraud, and among other relief requested assignment of the patents obtained by Suzuki on the Alternate Shock Mount. Suzuki

counterclaimed for fraud and breach of contract by Richardson, based on asserted invalidity of the '332 patent.

The federal actions were consolidated and tried to a jury. After forty-seven days of a two-part trial the jury gave special verdicts on issues of liability and damages. The district court entered final judgment under Fed.R.Civ.P. 54(b) on the jury verdicts that the '332 patent was not invalid and was infringed by Suzuki, that nine of Richardson's eleven asserted trade secrets were not trade secrets, and that Richardson was not entitled to assignment of the Tamaki/Suzuki patents on the Alternate Shock Mount. The court also entered final judgment on the jury verdicts of damages for patent infringement and for Suzuki's use of certain of Richardson's information that the jury found were not trade secrets. The court denied prejudgment interest and attorney fees, and refused to grant an injunction.

The district court denied most of the parties' post-trial motions, but granted Suzuki's motion for a new trial on three issues that the jury had decided in favor of Richardson, upholding two of the eleven asserted trade secrets, finding fraud on the part of Suzuki, and assessing damages for fraud. The district court then entered a supplemental final judgment for immediate appeal of the issues that the court intended to retry, and certified three specific questions on these and related issues.

#### *I Validity of Richardson's '332 Patent*

Suzuki asserts on appeal the invalidity of claim 9 on grounds of anticipation (35 U.S.C. §102) and obviousness (35 U.S.C. §103).<sup>3</sup> The district court, stating that questions of patent validity must be decided by the court, told the jury that its verdicts on this issue were advisory. Nevertheless the court duly entered the jury verdicts, including the answer YES to the question: "Under the facts and law as you believe that you understand them, do you find Claim 9 of the Richardson Patent to be valid?" The court entertained, and denied, post-trial motions for judgment n.o.v. and for a new trial on the question of validity. The court also independently decided the question, upholding validity of the '332 patent.

The record provided to us doesn't show the origin of this discredited procedure of advisory

<sup>3</sup> The additional aspects of adequacy of disclosure (35 U.S.C. §112) and unenforceability for inequitable conduct, both decided in favor of Richardson, have not been appealed.

for fraud and breach of contract, based on asserted invalidity of patent.

The claims were consolidated and after forty-seven days of a jury trial, the jury gave special verdicts on liability and damages. The district court's final judgment under (b) on the jury verdicts that the patent was not invalid and was not infringed, that nine of Richardson's asserted trade secrets were not valid, and that Richardson was not entitled to the Tamaki/Suzuki alternate Shock Mount. The district court's final judgment on the jury verdicts for patent infringement and use of certain of Richardson's trade secrets that the jury found were valid. The court denied prejudgment interest, attorney fees, and refused summary judgment.

The court denied most of the parties' motions, but granted Suzuki's motion for a new trial on three issues that the court found in favor of Richardson, namely, the eleven asserted trade secrets, damages for fraud, the district court's use of a supplemental final judgment, and immediate appeal of the issues. The court granted a new trial on these and related issues.

# I

## Richardson's '332 Patent

On appeal, the invalidity of the patent was based on anticipation (35 U.S.C. § 102) and obviousness (35 U.S.C. § 103). The district court, stating that the question of validity must be decided by the jury, affirmed its verdicts on the jury's findings. Nevertheless, the court set aside the jury verdicts, including the jury's verdict on the question: "Under the law as you believe that you should apply, do you find Claim 9 of the patent to be valid?" The court granted a new trial on the issues of anticipation, obviousness, and for a new trial on the issue of validity. The court also independently affirmed its decision, upholding the jury's verdict.

The record does not show the district court's procedure of advisory jury verdicts.

The aspects of adequacy of disclosure (35 U.S.C. § 112) and unenforceability of the patent, both decided in favor of Richardson, have not been appealed.

jury verdicts, or whether either party objected. In *Perkin-Elmer Corp. v. Computervision Corp.*, 732 F.2d 888, 895 n.5, 221 USPQ 669, 674 n.5 (Fed. Cir.), cert. denied, 469 U.S. 857 [225 USPQ 792] (1984), we observed that:

The view suggested in *Sarkisian v. Winn-Proof Corp.*, 688 F.2d 647, 651, (9th Cir. 1982), cert. denied, 460 U.S. 1052 (1983), that a jury verdict on nonobviousness is at best advisory, would make charades of motions for directed verdict or JNOV under Fed.R.Civ.P. 50 in patent cases. These motions apply only to binding jury verdicts. . . .

Moreover, use of an advisory jury is limited to actions not triable of right by a jury. (emphasis in original, citations omitted). In a similar circumstance wherein the trial court and the jury independently decided the same jury question (in that case the question of willfulness of infringement) we remarked that "[a]ll fact findings of a jury are non-advisory, unless made in an area expressly removed from jury verdict." *Shiley, Inc. v. Bentley Laboratories, Inc.*, 794 F.2d 1561, 1568, 230 USPQ 112, 115 (Fed. Cir. 1986), cert. denied, 479 U.S. 1087 (1987).

[1] It is established that the jury may decide the questions of anticipation and obviousness, either as separate special verdicts or en route to a verdict on the question of validity, which may also be decided by the jury. *Connell v. Sears, Roebuck & Co.*, 722 F.2d 1542, 1547, 220 USPQ 193, 197 (Fed. Cir. 1983):

No warrant appears for distinguishing the submission of legal questions to a jury in patent cases from such submissions routinely made in other types of cases. So long as the Seventh Amendment stands, the right to a jury trial should not be rationed, nor should particular issues in particular types of cases be treated differently from similar issues in other types of cases.

See also, e.g., *Vieau v. Japax, Inc.*, 823 F.2d 1510, 1515, 3 USPQ2d 1094, 1098 (Fed. Cir. 1987); *Verdegaal Brothers Inc. v. Union Oil Co. of California*, 814 F.2d 628, 631, 2 USPQ2d 1051, 1052 (Fed. Cir.), cert. denied, 108 S.Ct. 95 (1987); *Data Line Corp. v. Micro Technologies, Inc.*, 813 F.2d 1196, 1200, 1 USPQ2d 2052, 2054 (Fed. Cir. 1987); *Orthokinetics, Inc. v. Safety Travel Chairs, Inc.*, 806 F.2d 1565, 1571, 1 USPQ2d 1081, 1085 (Fed. Cir. 1986); *DMI, Inc. v. Deere & Co.*, 802 F.2d 421, 425-27, 231 USPQ 276, 279-80 (Fed. Cir. 1986); *Mainland Industries, Inc. v. Standal's Patents Ltd.*, 799 F.2d 746, 747-48, 230 USPQ 772, 773 (Fed. Cir. 1986); *Trans-World Mfg. Corp. v. Al Nyman & Sons, Inc.*, 750

F.2d 1552, 1560, 224 USPQ 259, 263 (Fed. Cir. 1984); *Quaker City Gear Works, Inc. v. Skil Corp.*, 747 F.2d 1446, 1454-55, 223 USPQ 1161, 1165-66 (Fed. Cir. 1984), cert. denied, 471 U.S. 1136 (1985); *Weinar v. Rollform, Inc.*, 744 F.2d 797, 805, 223 USPQ 369, 372 (Fed. Cir. 1984), cert. denied, 470 U.S. 1084 (1985); *Perkin-Elmer Corp.*, 732 F.2d at 894-95, 221 USPQ at 674; *Envirotech Corp. v. Al. George, Inc.*, 730 F.2d 753, 758, 221 USPQ 473, 477 (Fed. Cir. 1984); *Railroad Dynamics, Inc. v. A. Stucki Company*, 727 F.2d 1506, 1512-13, 220 USPQ 929, 935 (Fed. Cir.), cert. denied, 469 U.S. 871 [224 USPQ 520] (1984); *White v. Jeffrey Mining Mach. Co.*, 723 F.2d 1553, 1558, 220 USPQ 703, 705 (Fed. Cir. 1983) ("Submission of such a question of law [obviousness] to a jury, accompanied by appropriate instructions, is proper."), cert. denied, 469 U.S. 825 (1984). See generally, H.T. Markey in *On Simplifying Patent Trials*, 116 F.R.D. 369, 370 (1987) ("There is neither reason nor authority for employing in a patent trial procedures and practices different from those employed in any other civil trial. Indeed, reason and authority mandate the contrary.")

Although the district court and the jury reached the same result, the standards by which appellate courts review the judgment differ, depending on whether it arose from a jury or a bench trial. *District of Columbia v. Pace*, 320 U.S. 698, 701 (1944) ("findings of fact by an equity court and the verdict of a jury have from time immemorial been subject to different rules of finality"). When the judgment arises from a jury verdict, the reviewing court applies the reasonable jury/substantial evidence standard: a standard that gives greater deference to the judgment simply because appellate review is more limited, compared with review of a trial judge's decision. *Id.* at 702. As summarized in *Lavender v. Kurn*, 327 U.S. 645, 653 (1946), "the appellate court's function is exhausted when that evidentiary basis [of the jury's verdict] becomes apparent, it being immaterial that the court might draw a contrary inference or feel that another conclusion is more reasonable." See generally M.B. Louis, *Allocating Adjudicative Decision Making Authority Between the Trial and Appellate Levels: A Unified View of the Scope of Review, The Judge/Jury Question, and Procedural Discretion*, 64 N.C. L.Rev. 993 (1986).

The parties do not take a position on the district court's procedure, but appear to recognize that the issue of validity was properly for jury determination, for neither party refers to the district court's explanation of its



independent determination of the question of obviousness.

In the interest of reaching an end to this protracted litigation, we have reviewed the judgment on the terms on which it reaches us. We have determined first whether Suzuki met its burden of showing on appeal that no reasonable jury could have reached the verdict of "valid" on the evidence before it. *Allen Organ Co. v. Kimball Int'l, Inc.*, 839 F.2d 1556, 1566, 5 USPQ2d 1769, 1777 (Fed. Cir.), *cert. denied*, 109 S.Ct. 132 (1988); *DMI, Inc. v. Deere & Co.*, 802 F.2d 421, 425, 231 USPQ 276, 278 (Fed. Cir. 1986); *Shatterproof Glass Corp. v. Libbey-Owens Ford Co.*, 758 F.2d 613, 618-19, 225 USPQ 634, 636 (Fed. Cir.), *cert. dismissed*, 474 U.S. 976 (1985). Then, on the premise that the parties may have waived their right to a jury trial on this question by failure to object to the district court's procedure, we have considered whether the district court's independent judgment of validity may be sustained, on the standards applicable thereto. *Panduit Corp. v. Dennison Mfg. Co.*, 810 F.2d 1561, 1566-68, 1 USPQ2d 1593, 1595-97 (Fed. Cir.) (obviousness determination in bench trial reviewed as a question of law based on underlying facts), *cert. denied*, 107 S.Ct. 2187 (1987).

The court correctly instructed the jury that invalidity must be proved by clear and convincing evidence, referring to the presumption of validity. *Perkin-Elmer Corp.*, 732 F.2d at 894, 221 USPQ at 674; *Jamesbury Corp. v. Litton Industrial Products, Inc.*, 756 F.2d 1556, 1559, 225 USPQ 253, 255 (Fed. Cir. 1985); *American Hoist & Derrick Co. v. Sowa & Sons, Inc.*, 725 F.2d 1350, 1360, 220 USPQ 763, 771 (Fed. Cir.), *cert. denied*, 469 U.S. 821 [224 USPQ 520] (1984).

#### A. Anticipation

The district court correctly instructed the jury that an invention is anticipated if the same device, including all the claim limitations, is shown in a single prior art reference. Every element of the claimed invention must be literally present, arranged as in the claim. *Perkin-Elmer Corp.*, 732 F.2d at 894, 221 USPQ at 673; *Kalman v. Kimberly-Clark Corp.*, 713 F.2d 760, 771-72, 218 USPQ 781, 789 (Fed. Cir. 1983), *cert. denied*, 465 U.S. 1026 [224 USPQ 520] (1984). The identical invention must be shown in as complete detail as is contained in the patent claim. *Jamesbury Corp.*, 756 F.2d at 1560, 225 USPQ at 256; *Connell*, 722 F.2d at 1548, 220 USPQ at 198.

As prior art, Suzuki relied on the motorcycle suspensions described in certain patents to Downs and Warner; and on the race car wheel suspensions described for Tyrrell and McLaren race cars in two Road and Track magazine articles. Witnesses explained to the jury the similarities and differences between the invention of the '332 patent and each prior art reference. For example, the Downs suspension has a spring element that is rigidly attached to the motorcycle frame and does not pivot as is required by claim 9 of the '332 patent. The Warner reference shows a suspension having a bell crank that is pivotally mounted to the motorcycle frame but not at an intermediate point, whereas Richardson requires a mid-point pivot of the bell crank to the frame. Neither Downs nor Warner describes a rising rate. The magazine articles describe a four wheel racing car suspension system having a linkage-generated variable rising rate incorporating a bell crank, but instead of the swing arm of Richardson's motorcycle suspension, the race car systems use an A-shaped arm mounted to the side of an upright wheel; and the bell crank and linkage in the race car system is located beside the wheel, rather than in front of the wheel as in Richardson's motorcycle system.

Witnesses testified that rising rate in motorcycles had previously been obtained only by progressively wound springs and gas operated shock absorbers. Suzuki argued that rising rate is inherent in the Downs and Warner motorcycle suspensions and expressly described for race cars in the magazine articles, and also that rising rate is merely a statement of function, and thus should not be a basis for distinction from the prior art.

The jury found that Downs did not "disclose each and every element of the Richardson Claims 1 and 9 or their equivalent". For the Warner reference, the jury could not reach a unanimous verdict on this same question, but answered NO to the question whether "the respective elements of Warner function in substantially the same way as the corresponding elements in Richardson to produce substantially the same results". The jury found that the race car suspensions did "disclose each and every element of the Richardson Claims 1 and 9 or their equivalent", but did not reach a unanimous verdict as to whether they "function in substantially the same way as the corresponding elements in Richardson to produce substantially the same results."

The jury had erroneously been instructed that anticipation may be shown by equivalents, a legal theory that is pertinent to obviousness under Section 103, not to antici-

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ci relied on the motorcycle-ribed in certain patents er, and on the race car escribed for Tyrrell and in two Road and Track Witnesses explained to ties and differences be- of the '332 patent and ence. For example, the is a spring element that o the motorcycle frame is required by claim 9 of Warner reference shows ; a bell crank that is o the motorcycle frame mediate point, whereas a mid-point pivot of the me. Neither Downs nor rising rate. The maga- a four wheel racing car iving a linkage-generat- te incorporating a bell f the swing arm of Rile suspension, the race -shaped arm mounted to ht wheel; and the bell e the race car system is eel, rather than in front ichardson's motorcycle

that rising rate in mo- usly been obtained only nd springs and gas oper- s. Suzuki argued that ent in the Downs and uspensions and express- e cars in the magazine t rising rate is merely a , and thus should not be n from the prior art.

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pation under Section 102. *Lewmar Marine, Inc. v. Bariant, Inc.*, 827 F.2d 744, 747-48, 3 USPQ2d 1766, 1768 (Fed. Cir. 1987), cert. denied, 108 S.Ct. 702 (1988); *Connell*, 722 F.2d at 1548, 220 USPQ at 198. The jury requested a definition of "equivalent" during its deliberations, and was given the Webster's dictionary definition "corresponding or virtually identical, especially in effect or function." This narrow definition, which does not accord with that of *Graver Tank & Mfg. Co. v. Linde Air Products Co.*, 339 U.S. 605, 608 [85 USPQ 328, 330] (1950), may have minimized the legal error in the instructions. In any event, the erroneous inclusion of equivalents in the anticipation inquiry favored Suzuki. The jury nonetheless answered YES to the special verdict: "Under the facts and law as you believe that you understand them, do you find Claim 9 of the Richardson Patent to be valid?"

[2] On the totality of the evidence and in light of the jury instructions and answers, we conclude that a reasonable jury could have found that the patent was not invalid on grounds of anticipation. *Perkin-Elmer Corp.*, 732 F.2d at 894, 221 USPQ at 673-74 (review of presumed jury finding that anticipation not proved, based on jury verdict of validity).

Reviewing the analysis and decision of the district court, based on the same prior art, we discern no clear error in the court's conclusion that claim 9 was not invalid.

We affirm that claim 9 was not proved invalid on the ground of anticipation.

### B. Obviousness

The issue of obviousness was vigorously litigated, Suzuki relying on the same Downs and Warner patents and magazine articles. The record shows that there was extensive testimony concerning the differences between Richardson's suspension and the prior art. Suzuki argued at trial, and repeats on this appeal, that these differences are trivial mechanical expedients.

The jury, among its special verdicts on the *Graham* factors, found that a person of ordinary skill in the pertinent art could be any of: (1) a motorcycle mechanic without formal technical education, (2) a person with experience in working on suspension systems for racing automobiles, but without formal technical training, (3) suspension system instructors, (4) professional motorcycle riders, and (5) someone possessing above-average mechanical skills. Suzuki argues that such a person is of generally high mechanical skill, and to such a person Richardson's rising rate

motorcycle suspension would have been an obvious "adaption" of the race car suspension systems, which "suggests itself quite plainly, since Downs and Warner incorporate bell cranks in their respective suspensions."

The jury was unable to reach a unanimous verdict on the question of whether a person of the level of skill found by the jury, presented with the problem and being familiar with all the prior art including these four specific references, but unaware of Richardson's device, would be "led to do" what Richardson did. In response to the ultimate question, as we have observed, the jury reached the unanimous verdict that "Under the facts and law as you believe that you understand them", claim 9 was "valid". The district court entered judgment on the jury verdicts, independently held the patent valid, and denied Suzuki's motions for judgment n.o.v. and for a new trial on the issue of validity.

The question for the jury was whether the challenger met the burden of proving invalidity by clear and convincing evidence; and the question on review is whether reasonable jurors could have concluded that the challenger failed to meet that burden. *Orthokinetics, Inc. v. Safety Travel Chairs, Inc.*, 806 F.2d 1565, 1571, 1 USPQ2d 1081, 1085 (Fed. Cir. 1986); *Perkin-Elmer Corp.*, 732 F.2d at 894-95, 221 USPQ at 674. The jury's lack of unanimity on certain special verdicts can reasonably be taken to mean, as the district court held, that invalidity had not been proved by clear and convincing evidence.

[3] Our review shows that there was substantial evidence on which reasonable jurors could have concluded that claim 9 had not been proved invalid for obviousness, and thus reached the verdict of "valid". Although the district court erred in its belief that obviousness could only be presented to the jury for an advisory verdict, we may view the court's agreement with the jury verdict of validity as supporting the court's denial of Suzuki's post-trial motions for judgment n.o.v. and for a new trial. *Perkin-Elmer Corp.*, 732 F.2d at 895, 221 USPQ at 674-75. However it is viewed procedurally, no reversible error has been shown in the court's conclusion that obviousness had not been proved and that claim 9 was not invalid.

The judgment of validity is affirmed.

## II Infringement

Richardson bore the burden of proving infringement by a preponderance of the evi-



dence. The district court correctly stated that the jury was the finder of the fact of infringement.

The jury rendered special verdicts as to the Suzuki motorcycles before it, Model M having the Richardson/Cazort Alternate Shock Mount and Model C having the "criss-cross" connection added by Suzuki, as follows:

9(a). Do defendant Suzuki's motorcycles of the Model M type . . . infringe Claim 9 of the plaintiff's patent?

Answer: YES, WITH THE RISING RATE

9(b). Do defendant Suzuki's motorcycles of the Model C type . . . infringe Claim 9 of the plaintiff's patent?

Answer: YES, WITH THE RISING RATE

In subparts 9(a)(2) and 9(b)(2) of the special verdict the jury answered YES to the question whether the Suzuki motorcycles produce substantially the same rising rate as taught in Richardson's patent.

The principal question on appeal is the meaning and effect of the jury answers to subparts (1) of the special verdict, which were directed "in particular" to the Alternate Shock Mount and the criss-cross modifications:

9(a)(1). In particular, is the defendant's linkage equivalent to the plaintiff's, bearing in mind that the bottom of the spring in the former is affixed to the swing arm rather than to the frame?

Answer: NO

9(b)(1). In particular, is the defendant's linkage equivalent to the plaintiff's, in light of the "criss-cross" of the connecting rods and the bell crank in the defendant's model, as well as the spring attachment to the swing arm, as compared with the plaintiff's Claim 9?

Answer: NO

The district court entered judgment of infringement in favor of Richardson and denied post-trial motions by both sides, including a motion by Richardson to reopen the record in order to present evidence on the doctrine of equivalents. The district court stated that the jury verdicts mean that "infringement is limited to 'rising rate'" and that the Suzuki and Richardson linkages are not equivalent.

Suzuki argues that special verdicts 9(a)(1) and 9(b)(1) require judgment of non-infringement; or, as a minimum, that these verdicts are inconsistent with the verdicts of infringement in 9(a) and 9(b), such that a new trial is required of the entire issue. Richardson states that the verdicts can be

understood, when viewed in light of the jury instructions, in a way that supports the judgments of infringement. Suzuki did not request a new trial on the basis of inconsistent verdicts at the time the judgments were entered, while Richardson moved, unsuccessfully, to amend or delete verdicts 9(a)(1) and 9(b)(1). Each party asserts that any inconsistency should be resolved in its favor.

The Ninth Circuit, in accordance with the general rule, requires trial and appellate courts to seek reconciliation of apparently inconsistent verdicts:

When faced with a claim that verdicts are inconsistent, the court must search for a reasonable way to read the verdicts as expressing a coherent view of the case, and must exhaust this effort before it is free to disregard the jury's verdict and remand the case for a new trial.

*Toner v. Lederle Laboratories*, 828 F.2d 510, 512 (9th Cir. 1987), *cert. denied*, 108 S.Ct. 1122 (1988) (citing *Gallick v. Baltimore & Ohio R.R.*, 372 U.S. 108, 119 (1963), also citing *Atlantic & Gulf Stevedores, Inc. v. Ellerman Lines, Ltd.*, 369 U.S. 355, 364 (1962) and *Blanton v. Mobil Oil Corp.*, 721 F.2d 1207, 1213, (9th Cir. 1983), *cert. denied*, 471 U.S. 1007 (1985)). See also *Allen Organ Co.*, 839 F.2d at 1563, 5 USPQ2d at 1775 (the appellate court must make every effort to harmonize the jury's answers).

The district court did not find the special verdicts inconsistent, apparently in the belief that the jury limited infringement to the rising rate provision of claim 9 but not the other claim clauses. This accords with the court's statement to the jury that the infringement was "minor" because it was limited to the rising rate. This interpretation pleased neither party. If we have correctly understood it, it is incorrect as a matter of law.

"We are bound to find the special verdicts consistent if we can do so under a fair reading of them." *Toner*, 828 F.2d at 512. A fair reading of the special verdicts results from simply applying the rule that "[t]he consistency of the jury verdicts must be considered in light of the judge's instructions to the jury". *Toner*, 828 F.2d at 512. The instructions on infringement, and the specific questions asked by special verdict, were designed to resolve the issues raised at trial. There was testimony on both sides of Suzuki's assertion that its suspension was not the same as Richardson's because it produced a different rising rate. We referred *supra* to special verdicts 9(a)(2) and 9(b)(2):

9(a)(2). Does defendant's Model M produce rising rate substantially the same as

n viewed in light of the jury way that supports the judgment. Suzuki did not rely on the basis of inconsistent time the judgments were entered. Richardson moved, unsuccessfully to delete verdicts 9(a)(1) and 9(b)(2). The court, in its majority opinion, asserts that any incon-

gruity is resolved in its favor. The court, in accordance with the requirements of trial and appellate review, affirmed the special verdicts of apparent infringement.

With a claim that verdicts are the court must search for a way to read the verdicts as coherent view of the case, and this effort before it is free to set aside the jury's verdict and remand for a new trial.

*See* *Laboratories*, 828 F.2d (Cir. 1987), *cert. denied*, 108 S.Ct. 1166, 1167, 1168, 1169, 1170, 1171, 1172 (1988) (citing *Gallick v. Baltimore & Annapolis Electric Co.*, 372 U.S. 108, 119 S.Ct. 1207, 1213, 9th Cir. 1983), *aff'd*, 11 U.S. 1007 (1985). *See* *in Co.*, 839 F.2d at 1563, 51 USPQ2d 1563 (1988) (the appellate court must not to harmonize the jury's

verdict did not find the special verdict, apparently in the belief that the limited infringement to the claim of claim 9 but not the uses. This accords with the intent to the jury that the infringement was "minor" because it was a rising rate. This interpretation is incorrect as a matter of

fact to find the special verdicts can do so under a fair reading. 828 F.2d at 512. A fair reading of the special verdicts results from the rule that "[t]he consistency of the verdicts must be considered in light of the judge's instructions to the jury." 828 F.2d at 512. The instructions, and the specific questions raised at trial. There was no inconsistency in Suzuki's assertion that the invention was not the same as the prior art because it produced a different result. *See* *supra* to special verdicts 9(a)(1) and 9(b)(2):

Does defendant's Model M produce substantially the same as

the rising rate produced under the teachings of the plaintiff's patent?

Answer: YES

9(b)(2). Does defendant's Model C produce rising rate substantially the same as the rising rate produced under the teachings of the plaintiff's patent?

Answer: YES

Another special verdict in the infringement section asked the jury:

11. Does claim 9 of the Richardson Patent describe the invention of a rising rate in terms of what the invention will do rather than in terms of physical arrangement?

Answer: NO

We conclude that the answer "yes, with the rising rate" in verdicts 9(a) and 9(b) is the jury's response to Suzuki's argument, rather than as a finding that only the rising rate claim limitation, and no other, is embodied in the Suzuki suspensions.

We discern no support in the record for the district court's conclusion that verdicts 9(a) and 9(b) meant that the rising rate was the only area of infringement. Structure corresponding to every element of every claim of claims 1 and 9 was identified by witnesses as embodied in the accused motorcycles. There was no real dispute that of the nine or eleven elements in these claims (depending on how counted), all but one were literally present. The dispute centered on one element, the attachment of the spring in the claim clause "spring means having a first end pivotally secured to said frame", since this was the clause affected by the modifications of the Alternate Shock Mount and the criss-cross. In the Alternate Shock Mount, as we have discussed, the spring is pivotally secured to a swing arm that in turn is pivotally secured to the frame, instead of being pivotally secured directly to the frame as is shown in the '332 specification.

Richardson argues that the spring can be either directly or indirectly pivotally secured to the frame, without avoiding literal infringement of the claim. Richardson alternatively argues that on a correct definition of the doctrine of equivalents, citing *Graver Tank*, 339 U.S. at 608 [85 USPQ at 330], these securements are equivalent because the structures are substantially the same and perform substantially the same function in the same way.

The jury had been given the dictionary definition that "equivalent" means "corresponding or virtually identical, especially in effect or function". This definition was reinforced by the phrasing of verdicts 9(a)(1) and 9(b)(1), wherein the question itself instructed the jury on the difference between

the linkages, while remaining silent on the similarities.

This presentation was highly prejudicial. Indeed, these verdicts well illustrate the truism that the way a question is asked can direct the answer. "The decision to submit interrogatories, and the precise language in which they are couched, can have an untoward effect on a verdict, if certain elements of the trial or the evidence are thereby overly emphasized in the jury's mind." *Weinar v. Rollform Inc.*, 744 F.2d 797, 809, 223 USPQ 369, 376 (Fed. Cir. 1984), *cert. denied*, 470 U.S. 1084 (1985).

Further, and equally prejudicial, special verdicts 9(a)(1) and 9(b)(1) isolated this specific claim element so that it was removed from the perspective that is obtained only when the claimed invention is viewed in its entirety. *See, e.g., Hughes Aircraft Co. v. United States*, 717 F.2d 1351, 1363, 219 USPQ 473, 482 (Fed. Cir. 1983). We recently reemphasized in *United States Steel Corp. v. Phillips Petroleum Co.*, No. 88-1166, -1167, -1168, -1169, -1170, -1171, slip op. at 13-14 [9 USPQ2d 1461] (Fed. Cir. Jan. 10, 1989), in discussing *Graver Tank*, that there is no error in considering "the principle of the claimed invention".

A device that embodies improvements on a claimed structure does not automatically avoid the reach of the claim. *See, e.g., Atlas Powder Co. v. E.I. du Pont de Nemours & Co.*, 750 F.2d 1569, 1580, 224 USPQ 409, 417 (Fed. Cir. 1984) (separately patentable improvement may also be an equivalent under the doctrine of equivalents); *A.B. Dick Co. v. Burroughs Corp.*, 713 F.2d 700, 703, 218 USPQ 965, 967-68 (Fed. Cir. 1983) (infringement not avoided "merely by adding elements"), *cert. denied*, 464 U.S. 1042 (1984). Each case must be decided on its particular facts, viewing the changes in the accused structure in light of the claimed invention. *See generally Pennwalt Corp. v. Durand-Wayland, Inc.*, 833 F.2d 931, 934-35, 4 USPQ2d 1737, 1739 (Fed. Cir. 1987), *cert. denied*, 108 S.Ct. 1226 (1988), and *cert. denied*, 108 S.Ct. 1474 (1988); *Texas Instruments, Inc. v. United States Int'l Trade Comm'n*, 805 F.2d 1558, 1569-70, 231 USPQ 833, 840 (Fed. Cir. 1986), *reh'g denied*, 846 F.2d 1369, 6 USPQ2d 1886 (Fed. Cir. 1988);

[4] We conclude that the jury verdicts, viewed in light of the instructions, held that the Suzuki motorcycles with a rising rate infringed claim 9. We also conclude that on correct instructions no reasonable jury could have found that the claimed invention and the accused structures are not equivalent, on the established facts of record, applying the

correct law of *Graver Tank*. See *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 252 (1986) ("The mere existence of a scintilla of evidence in support of the plaintiff's position will be insufficient; there must be evidence on which the jury could reasonably find for the plaintiff."); *Pullman-Standard v. Swint*, 456 U.S. 273, 291-92 (1982) ("where findings [by the district court] are infirm because of an erroneous view of the law, a remand is the proper course unless the record permits only one resolution of the factual issue"); *Dana Corp. v. IPC Limited Partnership*, 860 F.2d 415, 419, 8 USPQ2d 1692, 1696 (Fed. Cir. 1988) (when there are sufficient established facts of record, appellate court has discretion to determine the merits of JNOV motion.)

The jury verdicts of infringement are supported by substantial evidence, and are upheld. The judgment of infringement is affirmed.

### III

#### Damages for Patent Infringement

As damages for patent infringement the jury assessed a royalty of fifty cents per motorcycle. Richardson states that this royalty is unreasonably low, and resulted from erroneous and prejudicial jury instructions. We review the award on the reasonable jury/substantial evidence standard. *Shatterproof Glass Corp.*, 758 F.2d at 627-28, 225 USPQ at 643-44.

The court told the jury: "Now, I will sustain, I will uphold your verdict [of infringement], but in determining damages and determining any royalty, it seems to me that you must consider that the infringement was a relatively minor infringement." This instruction derived, as we have discussed, from the erroneous interpretation of the verdicts as limited to the "rising rate" clause. We must determine whether this erroneous instruction was prejudicial to the jury's assessment of damages. The Ninth Circuit has stated that "we will reverse a judgment because of a mistake in jury instructions only if the error was prejudicial." *Smiddy v. Varney*, 665 F.2d 261, 265 (9th Cir. 1981), cert. denied, 459 U.S. 829 (1982).

35 U.S.C. §284 provides that damages shall be "adequate to compensate for the infringement, but in no event less than a reasonable royalty for the use made of the invention by the infringer." *Fromson v. Western Litho Plate and Supply Co.*, 853 F.2d 1568, 1574, 7 USPQ2d 1606, 1612 (Fed. Cir. 1988). The jury was told that a royalty of \$2.00 per motorcycle with an an-

nual minimum of \$70,000 had been agreed to by Suzuki and Richardson in the Option and License Agreement. There was testimony of much higher royalties paid by others for similar contributions to motorcycles. Suzuki presented testimony that the \$2.00 in the agreement does not apply, but should be the starting point for reducing the royalty because the infringement was minor.

[5] We must assume that the jury followed the court's instruction that the infringement was minor. That instruction was a misinterpretation of the jury verdict of infringement, and it usurped the role of the jury. Absent this prejudicial instruction there was no reasonable basis on which reasonable jury could have found that fifty cents was a reasonable royalty.

The judgment of damages for patent infringement is vacated. We remand for retrial of the question.

### IV

#### Richardson's Technical Information

Issues relating to Richardson's technical information were presented at trial on the legal theories of breach of contract and the tort of misappropriation of trade secrets. The district court concentrated on the tort issues in presentation to the jury, apparently accepting Suzuki's position that it had complied with its contractual obligations to Richardson. The court thus required that Richardson prove the existence of legally protectible trade secrets and their misappropriation by Suzuki.

In the only special verdict on the contract issues, the jury found that Suzuki did not violate its duty of good faith and fair dealing in its relationship with Richardson. The jury instructions on the contractual relationship, however, are pertinent to, and intertwined with, the trade secret issues.

#### A. The Contractual Relationship

In matters of contract law and interpretation we apply the discernable law of the state of California. *Universal Gym Equipment, Inc. v. ERWA Exercise Equipment Ltd.*, 827 F.2d 1542, 1550, 4 USPQ2d 1035, 1040 (Fed. Cir. 1987). At trial Richardson pressed, unsuccessfully, the California law that a covenant of good faith and fair dealing is implied between parties to a contract. *Seaman's Direct Buying Service, Inc. v. Standard Oil Co.*, 38 Cal.3d 752, 768, 686 P.2d 1158, 1166, 206 Cal.Rptr. 354, 363 (1984) ("It is well settled that, in California, the law implies in every contract a covenant

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\$70,000 had been agreed Richardson in the Option agreement. There was testimony that the \$2.00 in royalties paid by others to motorcycles. Submission that the \$2.00 in royalties was not applied, but should be for reducing the royalty payment was minor.

Assume that the jury followed instruction that the instruction was not of the jury verdict of the jury that the jury usurped the role of the prejudicial instruction on the basis on which the jury found that fifty cents royalty.

of damages for patent infringement. We remand for retrial.

#### IV

#### Technical Information

to Richardson's technical information presented at trial on the breach of contract and the violation of trade secrets. The court entered on the tort issues the jury, apparently acquiescing that it had contractual obligations to Richardson thus required that the existence of legally binding trade secrets and their misappropriation.

al verdict on the contract and that Suzuki did not act in good faith and fair dealing with Richardson. The jury found a contractual relationship, independent to, and intertwined with tort issues.

#### Contractual Relationship

Contract law and interpretation of the state of California law of the state of California. *Universal Gym Equipment, Inc. v. Exercise Equipment Ltd.*, 827 F.2d 1035, 1040 (9th Cir. 1987). At trial Richardson argued that the California law of good faith and fair dealing applied to parties to a contract. *Buying Service, Inc. v. 38 Cal.3d 752, 768, 686 P.2d 206 Cal.Rptr. 354, 363* (1984). It was settled that, in California, every contract is a covenant

of good faith and fair dealing." (Emphasis in original)).

The contract between Richardson and Suzuki was explained at trial, including the clause wherein Suzuki agreed not to use or disclose the "technical information, know-how, inventions, use data, and design specifications" that it received from Richardson. In discussing whether Suzuki was restrained in its post-contract use of Richardson's information, the district court at first instructed the jury that Suzuki was entitled by law "to use the most efficient means, even though they got it from plaintiff", stating that only "valid trade secrets" were subject to the contractual restraints:

And then after Suzuki's election not to take a license, of course, they were not supposed to use the plaintiff's trade secrets. That's what the contract says. And once again, you're going to have to determine whether these eleven were valid trade secrets. To what extent did the defendant use them, to what extent would the defendant otherwise have developed them.

Now, some of these trade secrets refer to the best alignments and designs. Well, it seems incongruous to say to the defendant they cannot use the best because the best was intentionally disclosed by the plaintiff, and even though experimentation by the defendant surely would have revealed the best as the patent says that it would.

Were the defendants precluded from using the best or were they obliged to use something less efficient. I can't conceive of the defendants not being entitled to use the most efficient means, even though they got it from the plaintiff.

The court later qualified this position by referring to reverse engineering as being improper — although it is far from clear what a reasonable jury would have understood from the court's instructions:

But on further reflection, I have to acknowledge that if you find there was a confidential relationship or contract that prohibited Suzuki from using the plaintiff's trade secrets, technical information or know-how, inventions or use data that the plaintiff gave them, unless it exercised the option, if you find those things to be true, I suppose it would be improper for Suzuki to reverse engineer from Richardson's prototypes, or from trade secrets or other information that he gave them.

The defense of reverse engineering does not apply to information received in confidence or whereas here the information is given under a contract.

Reviewing these instructions in the context of the contract and trade secret questions that were before the jury, we conclude that the jury was incorrectly instructed on the law. *See Bulgo v. Munoz*, 853 F.2d 710, 714 (9th Cir. 1988) (quoting *Los Angeles Memorial Coliseum Comm'n v. National Football League*, 726 F.2d 1381, 1398 (9th Cir.); *cert. denied*, 469 U.S. 990 (1984)) (instructions reviewed to determine "whether, viewing the jury instructions as a whole, the trial judge gave adequate instructions on each element of the case to ensure that the jury fully understood the issues.").

[6] In *Universal Gym Equipment*, 827 F.2d at 1549, 4 USPQ2d at 1040, we affirmed liability under California law based on breach of contract, when the parties contracted to limit the use by the recipient of "features, designs, technical information, or know-how" disclosed under the contract. We also affirmed that such a contractual arrangement is not incompatible with the patent law, *id.* at 1550, 4 USPQ at 1041, an issue on which the district court in Richardson's case also appears to have been misled, and to have misled the jury. *See Components for Research, Inc. v. Isolation Products, Inc.*, 241 Cal.App.2d 726, 730, 50 Cal.Rptr. 829, 832 (Cal. Dist.Ct.App. 1966) ("The judgment here but affords protection against the use of plaintiff's trade secrets by those to whom they had been disclosed in confidence. Whether the idea was patented or not, plaintiff is entitled to such protection").

The district court erred in law, in limiting the scope of protected information beyond that set forth in the contract, and in its instructions to the jury as to Suzuki's obligations. These errors are reflected in the trade secret issues.

#### B. The trade secret issues

The jury, despite the excessively restrictive instructions on what were trade secrets, found that certain items that Suzuki had received from Richardson were trade secrets and had been misappropriated, and assessed damages therefor. The jury also assessed damages for use by Suzuki of certain other items that did not "rise to the dignity of trade secrets", in the words of the special verdicts.

Richardson specified eleven items that he had disclosed to Suzuki under the contract, and that he asserted to be trade secrets; to wit: (1) the optimal characteristics of a motorcycle rear-wheel suspension shock absorber, showing three external adjustments, (2) engineering drawings of his proposed and furnished suspension systems, (3) 1978 and

1979 Suzuki motorcycles modified by Richardson with his rising rate suspension, (4) specific force-velocity curves needed to obtain the advantages of Richardson's invention in Suzuki's motorcycles, (5) design modifications to extend rear wheel travel over earlier rising-rate designs, (6) design of the Alternate Shock Mount including drawings and knowhow, (7) the optimum use and types of certain bearings in the suspension, (8) motorcycle testing and tuning criteria, (9) his bell crank designs and design criteria, (10) adjustments in the angles and dimensions of the parts of the suspension and their effect on performance, and (11) the straight line tubular motorcycle frame.

The California law of trade secrets follows the Restatement definition:

A trade secret may consist of any formula, pattern, device or compilation of information which is used in one's business, and which gives him an opportunity to obtain an advantage over competitors who do not know or use it. . . . Generally it relates to the production of goods, as, for example, a machine or formula for the production of an article.

*By-Buk Co.*, 163 Cal.App.2d at 166, 329 P.2d at 152, 118 USPQ at 553, citing Restatement (First) of Torts, §757 comment b (1939). The court in *By-Buk Co.* reaffirmed "plaintiff's right not to have its [trade secret] processes wrongfully disclosed to others and used to its detriment." *Id.* at 167, 329 P.2d at 153, 118 USPQ at 553.

The burden of proof was placed on Richardson to prove that his information met the legal requirements of a protectible trade secret. *Forro Precision, Inc. v. International Business Machines Corp.*, 673 F.2d 1045, 1056-57, 215 USPQ 299, 305-6 (9th Cir. 1982). This in turn required "either a covenant or a confidential relationship" as a premise of relief. *Futurecraft Corp. v. Clary Corp.*, 205 Cal.App.2d 279, 283, 23 Cal.Rptr. 198, 207-208 (Cal. Dist.Ct.App. 1962) (discussing elements of trade secret protection). Richardson met this requirement through his contractual covenant.

The district court told the jury, several times, that because Suzuki might have developed or could have developed on its own the information it received from Richardson, such information can not be protected as a trade secret. The court said: "Now I think we must assume that the defendant could have accomplished whatever the plaintiff may have contributed toward the development of Models M and C." Whatever the validity of the proposed assumption as to Suzuki's abilities, the court's conclusion is contrary to California law:

It is not necessary in order that a process of manufacture be a trade secret that it be patentable or be something that could not be discovered by others by their own labor and ingenuity.

*By-Buk Co.*, 163 Cal.App.2d at 166, 329 P.2d at 152, 118 USPQ at 553. Nor does the possibility of independent discovery relieve Suzuki of liability:

"[S]ecret formulas and processes \* \* \* are property rights which will be protected by injunction, not only as against those who attempt to disclose or use them in violation of confidential relations or contracts express or implied, but as against those who are participating in such attempt with knowledge of such confidential relations or contract, though they might in time have reached the same result by their own independent experiments or efforts."

*Id.* at 167, 329 P.2d at 153, 118 USPQ at 553-54 (quoting *Herold v. Herold China & Pottery Co.*, 257 F. 911, 913 (6th Cir. 1919)). Indeed, Suzuki did not argue that it had actually developed on its own the information that it first received from Richardson. Although Richardson adduced evidence that Suzuki had been unable to solve this problem, it is not relevant what Suzuki might have been able to do on its own. Ninth Circuit law upholds trade secret status even had the same information been obtainable from other sources. *Clark v. Bunker*, 453 F.2d 1006, 1010, 172 USPQ 420, 423 (9th Cir. 1972) (trade secrecy "is not negated because defendant by an expenditure of effort might have collected the same information from sources available to the public.") (footnote omitted).

The court also erroneously instructed the jury that "slavish" copying is necessary for misappropriation, and that an exercise of independent judgment would remove the information from protection. The court instructed the jury to consider: "Were they secrets. And, second, did the defendants slavishly use them or did they make up their own minds." These views are contrary to California law. "[D]efendants cannot escape responsibility by showing that they have improved upon or modified the plaintiff's process." *By-Buk Co.*, 163 Cal.App.2d at 169, 329 P.2d at 154, 118 USPQ at 554. The court observed in *Sinclair v. Aquarius electronics, Inc.*, 42 Cal.App.3d 216, 222, 116 Cal.Rptr. 654, 659, 184 USPQ 682, 684 (Cal. Ct.App. 1974) that minor variations are to be expected.

Suzuki argued to the jury, and repeats on appeal, that information that Richardson developed after issuance of the '332 patent, including the Alternate Shock Mount, is



We respond to this question: From the record before us the jury verdict that items 5 and 6 met the requirements for trade secret protection was supported by the great weight of the evidence. Richardson and Cazort testified about the design modifications that were the subject of item No. 5 and the Alternate Shock Mount subject of item No. 6. The Alternate Shock Mount was considered sufficiently novel and valuable that Suzuki included it in a patent application filed in Japan and later in the United States. The record does not negate the jury's determination of the value of this information. According to California law it is immaterial what Suzuki could have done, for it chose to use Richardson's information, which it obtained under restraint.

In further response, we remark that the relation between the parties, set by contract, was a routine commercial arrangement wherein Richardson agreed to facilitate Suzuki's testing and evaluation of Richardson's invention. This did not convert Richardson's work in adapting his invention to Suzuki's motorcycle into the work of a hired technician whose work product was automatically owned by Suzuki. The proprietary nature of the work done and information provided by Richardson was established by agreement, as was the agreement that Suzuki would not use this information if it did not exercise its option.

[8] There was substantial evidence before the jury that the information on items 5 and 6 was not publicly known, that Suzuki agreed to receive and preserve it in confidence, and that the information fully satisfies the statutory and jurisprudential requirements for protectible trade secrets.

In order to vacate the jury's verdict upholding items 5 and 6 as trade secrets and grant a new trial thereon, the trial court must find that the jury's verdict "is contrary to the clear weight of the evidence, or is based upon evidence which is false, or to prevent, in the sound discretion of the trial judge, a miscarriage of justice." *Hanson v. Shell Oil Co.*, 541 F.2d 1352, 1359 (9th Cir. 1976), *cert. denied*, 429 U.S. 1074 (1977) (quoting *Moist Cold Refrigerator Co. v. Lou Johnson Co.*, 249 F.2d 246, 256, 115 USPQ 160, 168-69 (9th Cir. 1957), *cert. denied*, 356 U.S. 968 [117 USPQ 498] (1958)); *William Inglis & Sons Baking Co. v. ITT Continental Baking Co., Inc.*, 668 F.2d 1014, 1027 (9th Cir. 1981), *cert. denied*, 459 U.S. 825 (1982). It is insufficient that the district court would simply have reached a different verdict.

Our review requires determination of whether the district court abused its discretion in its decision to grant the new trial. *Id.* See *Transgo, Inc. v. Ajac Transmission Parts Corp.*, 768 F.2d 1001, 1014, 227 USPQ 598, 602 (9th Cir. 1985), *cert. denied*, 474 U.S. 1059 (1986). ("the grant or denial of either a motion for a new trial or a motion to amend the judgment must be reviewed on the basis of a determination of whether the district court abused its discretion.") See generally *Seattle Box Co. v. Industrial Crating & Packing, Inc.*, 756 F.2d 1574, 1581, 225 USPQ 357, 363 (Fed. Cir. 1985) ("Abuse of discretion may be established by showing that the district court either made an error of law, or a clear error of judgment, or made findings which were clearly erroneous.") The district court's statements, for example with respect to item

5, "I simply cannot conclude that that is a trade secret. It was an attempt to help Suzuki adapt the Richardson concept to the Suzuki machine . . .", reflect an error of law.

Despite the legal error in the instructions, as we have discussed, any prejudice resulting therefrom favored Suzuki, not Richardson. We conclude that the district court exceeded its discretionary authority in vacating the jury verdict and ordering a new trial. That action is reversed, and the jury verdict is reinstated as to items Nos. 5 and 6, including the damages assessed for items Nos. 5 and 6.

#### D. Items 1-4 and 7-11

For asserted trade secrets Nos. 1-4 and 7-11, the jury may well have been led by erroneous instructions into applying an incorrect legal standard, in finding that these items were not trade secrets. It appears, however, that Richardson did not move for judgment n.o.v. or a new trial on these verdicts. Although there is a hint in the post-trial colloquy that the court intended or was willing to retry all the trade secret issues along with items 5 and 6, this does not satisfy the rule, supported by logic, that the formalities of post-trial motions be respected. *Snellman v. Ricoh Co.*, 836 F.2d 528, 534, 5 USPQ2d 1341, 1346 (Fed. Cir. 1987) (applying Ninth Circuit law in holding that motions for judgment n.o.v. and for a new trial must be made). Thus we have no authority to review these verdicts.

By special verdict the jury was also asked to assess damages for Suzuki's use of the information encompassed in each of items 1-4 and 7-11, even if the information did not "rise to the dignity of trade secrets". The jury determined this sum for each item, some at \$0, the highest at \$25,000, for a total of \$104,000. The district court sustained this award, on a theory of "quantum meruit compensation". Both parties appeal this award, Richardson asserting its inadequacy, and Suzuki arguing that Richardson was fully paid for his information in the option agreement, and is not entitled to damages for Suzuki's use of any information received from Richardson.

We have rejected, as a matter of law, Suzuki's theory that it is entitled to use, free, the information disclosed by Richardson under the option agreement. Richardson's disclosures were made under terms that prohibited their use by Suzuki if the option was not exercised. This contract provision does not depend on whether the information is a trade secret, but only on whether it was previously known to Suzuki or generally known to the public, as discussed *ante*.

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#### Items 1-4 and 7-11

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ected, as a matter of law, that it is entitled to use, free, disclosed by Richardson un- agreement. Richardson's dis- ade under terms that prohib- y Suzuki if the option was not ; contract provision does not ther the information is a trade / on whether it was previously ki or generally known to the ssed ante.

An appellate tribunal is abjured to determine whether a jury verdict can be sustained, on any reasonable theory. *Jaffke v. Kunham*, 352 U.S. 280, 281 (1957) ("A successful party in the District Court may sustain its judgment on any ground that finds support in the record.")

[9] There was substantial evidence at trial whereby a reasonable jury could have determined the sums awarded by this jury. Indeed, Suzuki does not challenge the valuations of the damage awards for items 1-11, arguing instead that nothing at all is owing.

The judgment as to items 1-4 and 7-11 is affirmed, including damages assessed for these items in the total amount of \$104,000.

#### V

#### Injunction

The district court, having entered final judgment that the Suzuki Full Floater suspension infringed claim 9 of the '332 patent, denied Richardson's motion for injunction.

[10] Infringement having been established, it is contrary to the laws of property, of which the patent law partakes, to deny the patentee's right to exclude others from use of his property. 35 U.S.C. §261. "[T]he right to exclude recognized in a patent is but the essence of the concept of property". *Connell*, 722 F.2d at 1548, 220 USPQ at 198 (citing *Schenck v. Nortron Corp.*, 713 F.2d 782, 218 USPQ 698 (Fed. Cir. 1983)).

It is the general rule that an injunction will issue when infringement has been adjudged, absent a sound reason for denying it: *W.L. Gore & Associates, Inc. v. Garlock, Inc.*, 842 F.2d 1275, 1281, 6 USPQ2d 1277, 1283 (Fed. Cir. 1988). Suzuki has presented no such reason. This court stated in *H.H. Robertson Co. v. United Steel Deck, Inc.*, 820 F.2d 384, 390, 2 USPQ2d 1926, 1929-30 (Fed. Cir. 1987), when reviewing an injunction granted *pendente lite*:

In matters involving patent rights, irreparable harm has been presumed when a clear showing has been made of patent validity and infringement. *Smith International*, 718 F.2d at 1581, 219 USPQ at 692. This presumption derives in part from the finite term of the patent grant, for patent expiration is not suspended during litigation, and the passage of time can work irremediable harm.

We observe that the '332 patent will expire in less than four years, that litigation started over eight years ago, and that the district court remarked that further proceedings could consume "several years".

Further, a misappropriator of trade secrets has no authorization of right to contin-

ue to reap the benefits of its wrongful acts. Richardson is entitled to an injunction against Suzuki's continuing use of trade secrets Nos. 5 and 6. *By-Buk Co.*, 163 Cal. App.2d at 167, 329 P.2d at 153, 118 USPQ at 553-54; *Components for Research, Inc.*, 241 Cal.App.2d at 730, 50 Cal.Rptr. at 832.

The denial of Richardson's request for injunction is reversed. On remand the district court shall enter appropriate injunctive relief.

#### VI

#### Fraud

The jury found by special verdicts that Suzuki fraudulently induced Richardson to reveal his trade secrets by concealing its intention not to exercise its option or take a license, and that Suzuki fraudulently concealed from Richardson the fact that it was developing the Full Floater "with the intention of declining to exercise the option and then nevertheless to utilize the plaintiff's trade secrets in the full floater". The jury also found fraud in that Suzuki filed the Tamaki patent application "in the knowledge that the invention asserted therein (the spring/swing arm connection) was first disclosed to them by Richardson". The jury awarded Richardson \$20,000 in compensatory and \$100,000 in punitive damages.

The district court vacated the judgment and ordered a new trial. Suzuki asserts that the court should have granted Suzuki's motion for judgment n.o.v. instead of ordering a new trial, while Richardson asserts that the court should have upheld the jury verdicts.

The district court certified the question of how to treat its belief that Suzuki did not commit the offenses of fraud and concealment found by the jury, including the question of punitive damages. We first must consider whether a reasonable jury could have reached the verdicts here reached. *Lavender v. Kurn*, 327 U.S. at 653. Apt is the statement of the Ninth Circuit in *Crocker-Citizens Nat'l Bank v. Control Metals Corp.*, 566 F.2d 631, 635 (9th Cir. 1977): "Courts are not free to reweigh the evidence and set aside the jury verdict merely because the jury could have drawn different inferences or conclusions or because judges feel that other results are more reasonable", quoting *Cockrum v. Whitney*, 479 F.2d 84, 86 (9th Cir. 1973), in turn quoting *Tennant v. Peoria & P. U. Ry. Co.*, 321 U.S. 29, 35 (1944).

[11] The record shows that there was testimony, based on certain of Suzuki's documents, on which a reasonable jury could have



supported these verdicts. There were issues of credibility, and inferences that could reasonably have been drawn in a manner adverse to Suzuki. "The credibility of witnesses and the weight of the evidence are issues for the jury and are generally not subject to appellate review." *Benigni*, 853 F.2d at 1525. While the district court may have believed that Suzuki did not commit fraud, review shows that the requirements for vacating the jury verdicts and relitigating the issue were not met. *Hanson*, 541 F.2d at 1359; *William Inglis*, 668 F.2d at 1027. A fresh trial is not warranted simply because the district court would have reached a different verdict.

A jury assessment of punitive damages is not excluded in circumstances such as those here presented, where the jury expressly found fraud. *Tri-Tron Int'l v. Velto*, 525 F.2d 432, 437, 188 USPQ 177, 181 (9th Cir. 1975) ("where compensatory damages are sought and awarded, the court has power, on a proper record, to award punitive damages"), citing *Clark v. Bunker* 453 F.2d 1006 1012, 172 USPQ 420, 424 (9th Cir. 1972), in turn citing *El Rancho, Inc. v. First Nat'l Bank*, 406 F.2d 1205, 1218 (9th Cir. 1968), cert. denied, 396 U.S. 875 (1969) (jury verdict awarding punitive damages was supported by evidence of malice) and *Davenport v. Mutual Benefit Health & Accident Ass'n*, 325 F.2d 785, 787 (9th Cir. 1963) (remand for trial to allow evidence of fraud to support claim of punitive damages.)

The district court correctly instructed the jury as to the law, stating that "it's only if you find that the defendants' conduct stem from malice, oppression, fraud or bad faith that you can find any punitive damage at all." As stated in *In re Innovative Construction Systems, Inc.*, 793 F.2d 875, 889, 230 USPQ 94, 104 (7th Cir. 1986):

[A] breach of faith underlies every trade secret claim. However, establishing that breach alone is insufficient to warrant an award of punitive damages; one must also demonstrate that the defendant acted wantonly, willfully, or in reckless disregard of the plaintiff's rights. (Citations omitted)

See also *Neal v. Farmers Insurance Exchange*, 21 Cal.3d 910, 928, 582 P.2d 980, 986, 148 Cal.Rptr. 389, 395 (1978) ("In order to justify an award of exemplary damages, the defendant must be guilty of oppression, fraud or malice. (Civ. Code §3294.) He must act with the intent to vex, injure or annoy, or with a conscious disregard of the plaintiff's rights") (quoting *Silberg v. California Life Insurance Co.*, 11 Cal.3d 452, 462, 521 P.2d 1103, 1110, 113 Cal.Rptr.

711, 718 (1974)); *Reynolds Metals Co. v. Lampert*, 316 F.2d 272, 275 (9th Cir. 1963), cert. denied, 376 U.S. 910 (1964) (in jury trial, evidence to justify punitive damages must show injury was done maliciously or willfully and wantonly or committed with bad motive or recklessly); *Transgo, Inc.*, 768 F.2d at 1024 [227 USPQ at 610] (The determination to award punitive damages was "within the exclusive province of the jury") (quoting *Runge v. Lee*, 441 F.2d 579, 584, 169 USPQ 388, 392 (9th Cir.), cert. denied, 404 U.S. 887 [171 USPQ 322] (1971)).

The jury having found by special verdicts that Suzuki acted fraudulently, the requisite intent was established. "We give the trial judge and jury wide discretion in assessing punitive damages." *Hatrock v. Edward D. Jones & Co.*, 750 F.2d 767, 772 (9th Cir. 1984). The jury's award was not "so disproportionate to the damages sustained as to be the result of passion or prejudice". *Id.* (citing *Neal*, 21 Cal. 3d at 928, 582 P.2d at 990, 148 Cal. Rptr. at 399). *Transgo, Inc.*, 768 F.2d at 1024 [227 USPQ at 610] ("We will not overturn such an award unless it appears that the jury was influenced by passion or prejudice.") (citing *Harmsen v. Smith*, 693 F.2d 932, 947 (9th Cir. 1982), cert. denied, 464 U.S. 822 (1983)).

We answer the certified question that, in this case, neither a new trial nor judgment n.o.v. was warranted. The order of a new trial on this issue is vacated. The judgment on the jury verdicts of fraud and the award of compensatory and punitive damages is reinstated.

## VII

### The Tamaki Patent

Richardson states that Suzuki fraudulently patented the Alternate Shock Mount that had been disclosed to Suzuki by Richardson and Cazort in a patent that also described the "criss-cross" modification developed at Suzuki. There was evidence and argument on the factual premises, including the absence of supporting documentation on the part of the named inventors Hirohide Tamaki and Manabu Suzuki, the earliest record on their behalf being dated October 1979. The corresponding Japanese patent application was filed on October 16, 1979.

The jury rendered the following special verdicts:

C-3. Did Suzuki and/or Mr. Tamaki file the Tamaki patent application in the knowledge that the invention asserted therein (the spring/swing arm connection) was first disclosed to them by Richardson:

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)); *Reynolds Metals Co. v. 2d 272, 275 (9th Cir. 1963)*, 76 U.S. 910 (1964) (in jury to justify punitive damages was done maliciously or wantonly or committed with recklessly); *Transgo, Inc.*, 768 27 USPQ at 610] (The deterrent punitive damages was elusive province of the jury") *v. Lee*, 441 F.2d 579, 584, 392 (9th Cir.), *cert. denied*, 171 USPQ 322 (1971)).

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zuki and/or Mr. Tamaki file i patent application in the that the invention asserted e spring/swing arm connec first disclosed to them by

Answer: YES

H-1. Do you find that the Plaintiff, Richardson, is the real inventor of the invention shown in the Tamaki patents and patent applications?

Answer: NO

It was not significantly disputed at trial that claims 1 through 8 of the Tamaki corresponding United States Patent No. 4,457,393 cover the Alternate Shock Mount of Richardson and Cazort, and that claim 9 includes the criss-cross embodiment of Tamaki and Suzuki. (The scope of claim 5 is raised, but is not material to our conclusion.)

The district court denied Richardson's post-trial motion that the Tamaki patent be assigned to Richardson. In colloquy with counsel the court explained that it could not do so because "the jury said Richardson wasn't the inventor". Indeed it was conceded, and discussed at trial, that Richardson and Cazort, not Richardson alone, invented the Alternate Shock Mount. Cazort, as well as Richardson, testified at length on this structure. Special verdict H-1 that Richardson is not "the real inventor" is in accord with the co-inventor status of Cazort, and also with the Japanese contribution of the criss-cross embodiment.

[12] The force of special verdict C-3 is not diminished. This verdict was not challenged on appeal. "It was further the duty of the court to direct the appropriate judgment to be entered upon the special verdict." *Traders and General Insurance Co. v. Mallitz*, 315 F.2d 171, 175 (5th Cir. 1963). The district court having failed to implement this verdict, Richardson's motion for judgment and for assignment of the Tamaki patents was not out of order.

The remedy of assignment of the Tamaki patents is a different question from whether Richardson is a sole or joint inventor. The correction of inventorship is an administrative step, and is not before the court. Similarly, the presence of a further modification in one or two claims of the patent directed to the Alternate Shock Mount does not negate the imposition of an equitable remedy. To hold otherwise would ratify and indeed reward the wrongdoing.

Based on the jury verdict, Richardson is entitled to ownership of the patents as against Suzuki. Such remedy is appropriate under the circumstances; see, e.g., *Colgate-Palmolive Co. v. Carter Products, Inc.*, 230 F.2d 855, 865, 108 USPQ 383, 391 (4th Cir.), *cert. denied*, 352 U.S. 843 [111 USPQ 467] (1956) (corporate assignee of patent application ordered to assign to original holder of trade secrets all rights to patent applications based thereon); *De Long Corp.*

*v. Lucas*, 176 F.Supp. 104, 134 [122 USPQ 471, 493] (S.D.N.Y. 1959), *aff'd*, 278 F.2d 804 [125 USPQ 370] (2nd Cir.), *cert. denied*, 364 U.S. 833 [127 USPQ 555] (1960) (when an employee has acquired patents on inventions developed by his former employer, "the courts will hold the wrongdoer to be a constructive trustee of the property misappropriated and will order a conveyance by the wrongdoer to the former employer"); *Becher v. Contour Laboratories, Inc.*, 279 U.S. 388 (1929) (same); *Saco-Lowell Shops v. Reynolds*, 141 F.2d 587, 598, 61 USPQ 3, 13 (4th Cir. 1944) (requiring assignment of patent based on ideas received by licensee from licensor in confidence during development of invention for market).

Suzuki argues that Richardson has no remedy other than by seeking an interference in the United States Patent and Trademark Office with his own invention, and presumably by taking similar actions, if such are available, in other countries. We do not agree. The courts are not powerless to redress wrongful appropriation of intellectual property by those subject to the courts' jurisdiction.

The denial of Richardson's motion for judgment is reversed. Suzuki shall assign to Richardson the patents filed by Suzuki that include the Richardson/Cazort invention of the Alternate Shock Mount, in all countries. We remand to the district court for the purpose of implementing compliance.

## VIII

### Prejudgment Interest

[13] The district court denied Richardson's request for prejudgment interest on both the patent infringement and the trade secret damage awards. Prejudgment interest is the rule governing this class of award. *General Motors Corp. v. Devex Corp.*, 461 U.S. 648, 655, 217 USPQ 1185, 1188 (1983); *Lummus Industries, Inc. v. D.M. & E. Corp.*, 862 F.2d 267, 274, 8 USPQ2d 1983, 1988 (Fed. Cir. 1988); *Fromson*, 853 F.2d at 1573-74, 7 USPQ2d at 1611; *Bio-Rad Laboratories, Inc. v. Nicolet Instrument Corp.*, 807 F.2d 964, 967, 1 USPQ2d 1191, 1193 (Fed. Cir. 1986), *cert. denied*, 107 S.Ct. 3187 (1987).

No exceptional circumstances having been shown, and no reason why damages for misappropriated trade secrets should be treated differently from damages for patent infringement, the denial of prejudgment interest is reversed.

IX  
Willful Infringement  
and Exceptional Case

The district court refused to submit the question of willful infringement to the jury, stating that Richardson had not provided sufficient evidence to go to the jury.

To refuse to give an issue to the jury is to direct a verdict in favor of the opposing party. Thus we review the district court's ruling on the standard of "whether the evidence permits only one reasonable conclusion after viewing the evidence in the light most favorable to the non-moving party and drawing all inferences in favor of that party." *Bulgo v. Munoz*, 853 F.2d 710, 714 (9th Cir. 1988) (citing *Peterson v. Kennedy*, 771 F.2d 1244, 1256 (9th Cir. 1985), cert. denied, 475 U.S. 1122 (1986)). See also *Connell*, 722 F.2d at 1546, 220 USPQ at 197.

[14] Richardson refers to the evidence adduced in connection with the jury verdicts of fraud, to the verdicts of misappropriation of trade secrets 5 and 6, to the absence of any opinion of United States counsel concerning validity of the '332 patent when Suzuki started its infringing activity, and to evidence from Suzuki's records tending to show bad faith. Viewing this evidence in the light most favorable to Richardson, and drawing all reasonable inferences in his favor, there was sufficient evidence to take to the jury, for the evidence does not require a verdict in favor of Suzuki. Absent sufficient basis for directing the verdict, Richardson has the right of jury determination of this factual question. Willfulness of behavior is a classical jury question of intent. *Shiley*, 794 F.2d at 1568, 230 USPQ at 115; *Hammerquist v. Clarke's Sheet Metal, Inc.*, 658 F.2d 1319, 1325-26, 212 USPQ 481, 486 (9th Cir. 1981), cert. denied, 460 U.S. 1052 (1983). When trial is had to a jury, the issue should be decided by the jury.

We remand for this purpose. The jury's findings on the issue of willfulness will be pertinent not only to the question of multiplication of damages under 35 U.S.C. §284, but also to determination of whether this is an exceptional case in terms of 35 U.S.C. §285. Entitlement under California Civil Code §3426 may also be considered.

X  
Other Arguments

Both sides have raised many points in their briefs, disputing most aspects of the proceedings. We have considered all arguments in reaching our conclusions.

Costs

[15] The award by the trial court of only one third costs to Richardson, in view of the judgments in his favor on the major substantive issues, exceeded the trial court's discretionary authority. Richardson is entitled to his statutory costs incurred before the district court. The reduction thereof is reversed.

Costs on this appeal are taxed in favor of Richardson.

**AFFIRMED IN PART, REVERSED IN PART, VACATED IN PART, AND REMANDED.**

Pennsylvania Superior Court

Den-Tal-Ez Inc. v. Siemens Capital Corp.

No. 02312 Philadelphia 1987

Decided October 21, 1988

**TRADEMARKS AND UNFAIR TRADE PRACTICES**

**1. Trade secrets — In general (§400.01)**

Mutual non-disclosure agreement, executed between plaintiff dental handpiece company and defendant that was negotiating to acquire plaintiff, which requires confidential information to be so marked but which does not define "confidential" information as limited only to information that is marked does not therefore limit its protections only to information marked "confidential."

**2. Unfair competition — In general (§395.01)**

**Trade secrets — In general (§400.01)**

Execution of confidentiality agreement does not thereby constitute implied waiver of common law protections against misappropriation of trade secrets.

**3. Trade secrets — In general (§400.01)**

Starting point under Pennsylvania law for determining whether alleged misappropriation of trade secret occurred is not whether confidential relationship existed but whether, in fact, trade secret existed which could be misappropriated, since Pennsylvania follows "property" view of trade secrets which shifts emphasis from whether defendant's conduct conformed to its confidential relationship with plaintiff to close analysis of whether information was trade secret.

to show injury caused by actual confusion only because the summary judgment was limited to the plaintiff's *claim for damages*. If the plaintiff in *Schutt* had made other claims, claims not for damages (in the traditional sense) but for equitable relief such as a request for defendant's profits on an unjust enrichment theory, the plaintiff's failure to show injury caused by actual confusion would have been insufficient to support summary judgment against it. See *Roulo*, 886 F.2d at 941. Thus, the rule for the particular case in *Schutt*, a case involving a claim for damages only, cannot be generalized to fit all claims arising under the Lanham Act. It cannot be generalized to fit the claims in this case.<sup>4</sup>

Accordingly, we reverse the judgment of the district court.<sup>5</sup> In so doing, however we wish to disturb none of the court's findings of fact and as little as possible of its legal analysis. WPC has shown that Oxy-Dry violated section 43(a) of the Lanham Act. It has not shown, however, that it is entitled to a "grant of monetary damages." Whether it is entitled to a recovery of some or all of the defendant's profits, or to a recovery of its attorneys' fees or litigation costs, we do not decide. We leave those issues on remand for the district court.

Reversed and remanded for further proceedings consistent with this opinion. Circuit Rule 36 shall not apply.

<sup>4</sup> As WPC's amended complaint clearly shows, WPC prayed for more than just damages. In addition to asking the district court to award damages, WPC asked the district court, among other things, to award WPC Oxy-Dry's profits and WPC's costs, expenses and reasonable attorneys' fees.

<sup>5</sup> In addition to entering judgment for Oxy-Dry on WPC's Lanham Act claim, the court below entered judgment for Oxy-Dry on related state law claims pressed by WPC. The court concluded that the legal principles governing the Lanham Act also governed "WPC's common law claim of unfair competition and WPC's claims under the Illinois Consumer Fraud and Deceptive Business Practices Act and the Illinois Deceptive Trade Practices Act, Ill.Rev.Stat. ch. 121½, ¶¶262, 311-12." The court then held "that WPC has failed to prove these claims for the same reason that it failed to prove its claim under the Lanham Act." We have noted, however, that the district court was wrong in interpreting the principles governing the Lanham Act. It follows that the district court erred in holding that WPC had failed to establish a "claim" under state law, assuming, *arguendo*, that the same principles of law apply to the state actions as apply to those brought pursuant to the Lanham Act.

## Court of Appeals, Federal Circuit

In re Bond

No. 90-1023

Decided August 3, 1990

### PATENTS

#### 1. Patentability/Validity — Anticipation — Prior art (§115.0703)

##### Patent construction — Claims — "Means" claims (§125.1307)

Board of Patent Appeals and Interferences' rejection, as anticipated by prior art, of claim which provides, through combination of control means, first circuit means, second circuit means, and delay means, for telephone answering machine to be set to answering mode remotely, must be vacated, in view of lack of any finding of structural equivalence between claim's delay means and means embodied in prior art device.

#### 2. Patentability/Validity — Obviousness — Relevant prior art (§115.0903)

##### Patentability/Validity — Obviousness — Combining references (§115.0905)

Board of Patent Appeals and Interferences erred in rejecting claim for remote turn-on control system for telephone answering machine on grounds that use of microcomputer to achieve delay means was obvious, since board's factual findings show that cited references would not have suggested claimed invention to one of ordinary skill, and since board's analysis was based on hindsight reconstruction of claimed invention.

Appeal from the U.S. Patent and Trademark Office, Board of Patent Appeals and Interferences.

Application for patent of Raymond G. Bond, serial no. 840,007, filed March 17, 1986. From decision affirming examiner's final rejections of both claims of patent, applicant appeals. Vacated in part, reversed in part, and remanded.

Keith D. Beecher, of Jessup, Beecher & Slehofer, Santa Monica, Calif., for appellant.

Murriel E. Crawford, assistant solicitor (Fred E. McKelvey, with her on brief), for appellee.

ls, Federal Circuit

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August 3, 1990

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r, of Jessup, Beecher &  
ta Monica, Calif., for

rawford, assistant solicitor  
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Before Baldwin, senior circuit judge, Archer,  
circuit judge, and Tashima, district judge  
(Central District of California, sitting by  
designation).

*Per curiam.*

This appeal is from the decision of the  
United States Patent and Trademark Office  
Board of Patent Appeals and Interferences  
(Board), Appeal No. 89-1286, dated June  
30, 1989, affirming the examiner's final re-  
jection of both claims of Raymond G. Bond's  
patent application Serial No. 840,007, filed  
March 17, 1986, entitled "Remote Turn-on  
Control System for Telephone Answering  
Machine." We vacate-in-part, reverse-in-  
part and remand.

## I

The application involves one of the remote  
control features of a telephone answering  
machine, the remote turn-on feature. The  
machine owner who forgot to set the ma-  
chine to answer (e.g., it was set to play back  
messages) can call the machine and set it to  
answering mode remotely by ringing the  
phone a certain number of times. Once the  
machine is set, it will remain in this mode  
and answer calls until it is set to another  
mode. In this respect, the application in-  
volves technology essentially identical to the  
device patented by Curtis, et al., U.S. Patent  
No. 3,723,656 (Curtis).

Bond claims a combination of the above  
technology and a delay means which would  
prevent the machine from answering the  
owner's initial call for a predetermined peri-  
od of time after it has set itself to answer  
(claim 1). Bond argues that the prior art  
does not leave sufficient time to hang up  
after setting the machine to answer, and the  
owner therefore may incur toll charges.  
Claim 1 was rejected under 35 U.S.C. §102  
over Curtis. Bond also claims the use of a  
microcomputer containing an internal  
counter to implement the control and delay  
structures (claim 2). Claim 2 was rejected  
under 35 U.S.C. §103 over Curtis in view of  
Hanscom.<sup>1</sup>

<sup>1</sup> Hanscom was awarded U.S. Patent No.  
4,400,586 for a "Remote Message Repeat Control  
For Telephone Answering System." Hanscom's  
claimed invention includes a means for retrieving  
messages remotely using a "beeper" to alert the  
machine that it should perform that function. The  
Hanscom specification provides that the essential  
control functions are performed by a  
microcomputer.

## II

The Board affirmed the examiner's rejec-  
tion of claim 1. "For a prior art reference to  
anticipate in terms of 35 U.S.C. §102, every  
element of the claimed invention must be  
identically shown in a single reference." *Di-  
versitech Corp. v. Century Steps, Inc.*, 850  
F.2d 675, 677, 7 USPQ2d 1315, 1317 (Fed.  
Cir. 1988). These elements must be arranged  
as in the claim under review, *Lindemann  
Maschinenfabrik v. American Hoist & Per-  
rick Co.*, 730 F.2d 1452, 1458, 221 USPQ  
481, 485 (Fed. Cir. 1984), but this is not an  
"ipsissimis verbis" test, *Akzo N.V. v. United  
States Int'l Trade Comm'n*, 808 F.2d 1471,  
1479 & n.11, 1 USPQ2d 1241, 1245 & n.11  
(Fed. Cir. 1986), *cert. denied*, 482 U.S. 909  
(1987). "[A]nticipation is a fact question  
subject to review under the clearly erroneous  
standard." *In re King*, 801 F.2d 1324, 1326,  
231 USPQ 136, 138 (Fed. Cir. 1986).

Claim 1 provides for a combination of  
control means, first circuit means, second  
circuit means, and

delay means included in said control  
means for delaying the seizure of said  
telephone line by said second circuit  
means for a predetermined time interval  
after said telephone answering machine  
has been set to said automatic answering  
mode so as to permit the calling party to  
get off the telephone line and avoid tele-  
phone charges.

"It is axiomatic that, in proceedings before  
the PTO, claims in an application are to be  
given their broadest reasonable interpreta-  
tion consistent with the specification, [ ] and  
that claim language should be read in light of  
the specification as it would be interpreted  
by one of ordinary skill in the art." *In re  
Sneed*, 710 F.2d 1544, 1548, 218 USPQ 385,  
388 (Fed. Cir. 1983) (citations omitted).  
The specification provides that this delay is  
implemented through digital means as  
follows:

[W]hen the telephone answering machine  
is so set to the automatic answer mode, an  
internal counter in the microcomputer  
Z107 delays the time until pin 31 goes  
high, so that actual line seizure is delayed.  
This permits the calling party to get off  
the line before any toll charges are  
assessed.

Once pin 31 "goes high," the answering  
machine immediately seizes the line. By con-  
trast, seizure of the line is delayed in the  
Curtis device through analog means.<sup>2</sup> A

<sup>2</sup> The board found that "Curtis disclosed a  
delay means (R1-R5, C3-C4 and the fixed time  
between rings) which delays the seizure of the



delay occurs between the time the machine sets to answer — in response to, for example, the tenth ring signal — and the seizure of the line — which takes place only on receipt of the next ring signal.<sup>3</sup>

[1] The disclosed and prior art structures are not identical, but the claim may nonetheless be anticipated. While a "means-plus-function" limitation may appear to include all means capable of achieving the desired function, the statute requires that it be "construed to cover the corresponding structure, material, or acts described in the specification and equivalents thereof." 35 U.S.C. §112 ¶6 (emphasis added); see *In re Iwahashi*, 888 F.2d 1370, 1375 n.1, 12 USPQ2d 1908, 1912 n.1 (Fed. Cir. 1989) (applying §112 ¶6 to PTO proceedings, and harmonizing prior case law); *Johnston v. Ivac Corp.*, 885 F.2d 1574, 1580, 12 USPQ2d 1382, 1386 (Fed. Cir. 1989) ("section 112 ¶6 operates to cut back on the types of means which could literally satisfy the claim language," (emphasis in original)). However, the Board made no finding that the delay means of claim 1 and that embodied in the Curtis device are structurally equivalent. Accordingly, its decision as to the anticipation of claim 1 is deficient and must be vacated. Since structural equivalency under section 112 ¶6 is a question of fact, see *Pennwalt Corp. v. Durand-Wayland*, 833 F.2d 931, 933-34, 4 USPQ2d 1737, 1739 (Fed. Cir. 1987) (*in banc*), the court will not reach that question in the first instance.<sup>4</sup>

telephone line for a predetermined time after the machine has been set." It would seem from our review of the Curtis disclosure that resistors R1-R5 and capacitors C3 and C4 do not function to produce any delay after the device is energized, i.e., set to the automatic answering mode. Rather, their role seems to be limited to producing the delay that precedes the energizing of the answering device. If our understanding of the Curtis disclosure is correct, the delay experienced by the Curtis device between the time the device is energized and the time it seizes the telephone line is a function solely of the fixed time between telephone rings, which delay is not produced by structure within the Curtis device. In view of our vacatur and remand of the board's decision regarding claim 1 on other grounds, we need not further consider the question of whether there is structure in Curtis to delay seizure of the line after the device is energized.

The board found that in the Curtis device "the line is not seized immediately but only after one additional ring" (emphasis added); the Curtis specification discloses that the incoming call is answered by the answering machine "on" the next ring. See col. 4, lines 16-17.

<sup>4</sup> In light of this disposition, the court need not resolve the question of how closely synchronized

### III

The Board rejected claim 2, which depends from claim 1, on the ground that the use of a microcomputer to achieve the delay would have been obvious to one skilled in the art. "A determination that an invention would have been obvious under §103 is a conclusion of law based on fact. [ ] The degree to which the determination involves facts, and is thus subject to the 'clearly erroneous' standard . . . is that degree required to erect a foundation of facts sufficient to support the legal conclusion." *Ryco, Inc. v. Ag-Bag Corp.*, 857 F.2d 1418, 1423, 8 USPQ2d 1323, 1327 (Fed. Cir. 1988) (citations omitted). See also *In re Caveney*, 761 F.2d 671, 674, 226 USPQ 1, 3 (Fed. Cir. 1985).

Claim 2 modifies claim 1 by defining the control and delay means thereof as "compris[ing] a microcomputer having an internal counter to delay the seizure of said telephone line until the counter reaches a predetermined count." In its opinion, the Board stated:

Curtis discloses an analog circuit for counting calls [sic, rings]. . . . Hanscom discloses that it was conventional to count calls [rings] digitally in a telephone answering machine by means of a microcomputer. . . . We held that the artisan, having the suggestions of Curtis and Hanscom before him at the time the invention was made, would have found it manifestly obvious to combine these teachings to obtain the subject matter of claim 2.

We are convinced that this holding does not recognize that there are critical differences between the claimed invention and the prior art. See *Graham v. John Deere Co.*, 383 U.S. 1, 17-18, 148 USPQ 459, 467 (1966) (the difference between the claimed invention and the prior art is one of the four factual inquiries pertinent to any obviousness inquiry under 35 U.S.C. §103). It also does not reflect the admonition of this court that "[o]bviousness cannot be established by combining the teachings of the prior art to produce the claimed invention, absent some teaching, suggestion or incentive supporting the combination." *Carella v. Starlight Archery and Pro Line Co.*, 804 F.2d 135, 140, 231 USPQ 644, 647 (Fed. Cir. 1986); see also *ACS Hosp. Sys., Inc. v. Montefiore Hosp.*, 732 F.2d 1572, 1577, 221 USPQ 929, 933 (Fed. Cir. 1984). The Board's analysis is a

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## III

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e legal conclusion." *Ryco*,  
p., 857 F.2d 1418, 1423, 8  
27 (Fed. Cir. 1988) (cita-  
e also *In re Caveney*, 761  
6 USPQ 1, 3 (Fed. Cir.

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" *Carella v. Starlight Arch-*  
*Co.*, 804 F.2d 135, 140, 231  
(Fed. Cir. 1886); see also  
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) . The Board's analysis is a

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classical example of a hindsight reconstruc-  
tion of the claimed invention.

Bond's claimed invention includes a mi-  
crocomputer which functions to delay sei-  
zure of the telephone line once the device has  
been set to the automatic answering mode.  
The Board found that the Curtis device ex-  
periences some delay after it has been ener-  
gized and before it seizes the telephone line.  
Such a delay is only inherent in the Curtis  
system and Curtis neither places any impor-  
tance on this delay nor specifically notes that  
line seizure should be further deferred.  
Hanscom, the secondary reference, discloses  
a familiar telephone answering machine that  
employs a microcomputer which delays sei-  
zure of the telephone line until after a preset  
number of rings, while using a microcom-  
puter to count the number of incoming rings.  
Hanscom is silent with respect to whether a  
device like that disclosed by Curtis should  
embody a delay following activation of the  
answering mode and before line seizure, or  
how such a delay should be implemented.  
For the purpose of its combination with Cur-  
tis, the Hanscom patent merely discloses  
that microcomputers can be used as a means  
for counting telephone rings entering an  
automatic answering machine.

[2] When the claimed invention is contrast-  
ed with the Curtis and Hanscom devices, a  
distinct difference becomes apparent — the  
claimed invention embodies a microcom-  
puter placed within the system which delays  
seizure of the telephone line for a predeter-  
mined period of time following activation of  
the device's answering mode. Unless the  
Curtis and Hanscom disclosures would have  
suggested to one of ordinary skill in the art at  
the time the invention was made that a  
microcomputer should be so employed, claim  
2 is not unpatentable under 35 U.S.C. §103  
on this record. See *Uniroyal, Inc. v. Rudkin-*  
*Wiley Corp.*, 837 F.2d 1044, 1050-51, 5  
USPQ2d 1434, 1438 (Fed. Cir.) *cert. de-*  
*nied*, 109 S.Ct. 75 (1988). On balance, we  
conclude, given the factual findings of the  
Board (including the finding that the Curtis  
device *does* contain some structure which is  
involved in producing the inherent delay in  
seizing the telephone line after activation of  
the automatic answering mode, see footnote  
2, *supra*), that even though the Curtis device  
does experience some inherent delay, the  
cited references would not have suggested  
the claimed invention to one of ordinary skill.  
Neither reference expressly or implicitly  
suggests that a microcomputer assembly  
should be embodied in a Curtis-like device in  
such a manner as would produce the inher-  
ent, yet unmentioned, delay experienced by  
the Curtis device.

## IV

In conclusion, the Board's decision is (1)  
vacated insofar as it holds that the invention  
of claim 1 of Bond's application is anticipat-  
ed by the Curtis device; (2) reversed insofar  
as it holds that claim 2 is unpatentable under  
35 U.S.C. §103 over Curtis in view of Hans-  
com; and (3) remanded. On remand, the  
Board should consider whether the delay  
experienced by the Curtis device after acti-  
vation of the answering mode and before  
seizure of the telephone line is caused by any  
"structure" within the Curtis device and, if  
so, whether this "structure" is equivalent to  
that disclosed in Bond's specification as ex-  
emplary of the claim 1 delay means. Only if  
each of these inquiries is answered in the  
affirmative is the invention defined in claim  
1 anticipated by the Curtis disclosure.

**VACATED-IN-PART, REVERSED-IN-  
PART, and REMANDED.**

**Court of Appeals, Federal Circuit**

Rosemount Inc. v. U.S. International Trade  
Commission

No. 90-1263

Decided August 2, 1990

**PATENTS**

1. U.S. International Trade Commission —  
Remedies (§155.07)

U.S. International Trade Commission —  
Appeals (§155.09)

International Trade Commission's exer-  
cise of its authority to grant temporary relief  
in proceeding under Tariff Act's Section  
337, 19 USC 1337, should parallel factors  
considered by federal district court in deter-  
mining whether to grant injunction prior to  
trial; commission's exercise of that authority  
will be reviewed on appeal under abuse of  
discretion standard.

**REMEDIES**

2. Non-monetary and injunctive — Equita-  
ble relief — Preliminary injunctions —  
Patents (§505.0707.07)

Presumption of irreparable harm may be  
afforded to patent owner who has made  
strong preliminary showing of patent valid-